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# CENTRAL EURASIA

# FBIS Report: Central Eurasia

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### Gorbachev Foundation Finances Questioned

934C0083A Moscow ARGUMENTY I FAKTY  
in Russian No 40, Oct 92 p 2

[Article by Yu. Danilevskiy, chief of the Control and Audit Administration and member of the collegium of the Ministry of Finance of the Russian Federation, under the column heading "Excerpts from a Document": "Once Again On the Gorbachev Foundation"]

[Text] *The foundation was established using the property of the former Social Sciences Institute (ION) of the CPSU Central Committee as a base. An audit has established a number of violations and shortcomings in its financial and economic activities.*

In violation of the founding agreement and the Foundation's charter, the founders—the Foreign Policy Association (E.A. Shevardnadze, president) and citizen of Russia G.I. Revenko—still have not contributed their membership initiation fees of 10,000 rubles [R] each to the charter fund; the other founders—the International Foundation for the Survival and Development of Humanity (Ye.B. Velikhov, president), the Economic and Social Reform Foundation (S.S. Shatalin, president), and citizens of Russia M.S. Gorbachev and A.N. Yakovlev—did not contribute their membership fees until July 1992, while the founding agreement stipulates that membership fees are to be contributed within one month of the date of the Foundation's registration (23 December 1991).

According to the sign-over balance, as of 1 January of the current year an excess of income over expenses (income from financing out of the party budget) in the amount of R6.4 million was entered in the books as a reserve to cover anticipated expenses; **this amount, however, should have been transferred in accordance with established procedures to a special nonbudget account of the government of the Russian Federation.**

In November 1990 the former Social Sciences Institute of the CPSU Central Committee acted as a cofounder of the joint enterprise Lyubava, having contributed to the latter's charter capital \$100,000 out of the party budget. By the order of the former Administration of Affairs of the CPSU Central Committee, in 1991 an interest-free loan in the amount of R10 million was issued to the joint enterprise Lyubava through a special-designation transfer via the ION.

The calculation of budgeted income for 1992 made in the course of the audit showed that the expected revenue from leasing office space, hotel rooms, and other sources of income will amount to \$1.6 million and R65.1 million.

The Foundation budgeted R134.1 million for current year expenses; however, the budget estimate improperly contained deductions of R10 million for a reserve fund and R1.5 million for charitable activities (in the process of developing an estimated budget such expenditures are counted as part of a special purpose fund); that is, planned expenses amount to R122.6 million.

Thus, based on the aforementioned estimates of income and expenses, as well as taking into account that in fact a profit in the amount of R22.5 million (the balance sheet improperly shows a R136,300 loss) was generated during the first quarter of 1992, the Foundation is a profit-generating organization. Income in the amount of R22.7 million received in the first quarter of the current year was improperly charged to a reserve to cover anticipated expenses instead of showing in the profit and loss account; as a result, **tax on profit in the amount of R7.2 million was not paid from the amount of profits into the state budget.**

The Foundation also generated a profit in the second quarter of the current year; however, **scheduled payments into the budget (profit tax) have not been made.**

The financial statements for the first half of the current year were filed with the state tax inspectorate later than the required date, and profit tax in the amount of R19.6 million was paid on 17 August of this year, past the 25 July 1992 deadline. **Also, the Foundation did not pay into the budget value-added tax in the amount of \$119,600 on income received in the first quarter of this year from the activities of the hotel complex and rental income.** In determining income tax liabilities for individuals, the calculation of their total income did not include the amounts by which per diem expenses in foreign currency exceeded the norms established for business trips, which resulted in lower income tax amounts for these individuals.

The Foundation's approved staff roster for 1992 included 871.5 positions, including a leadership support staff of 51, scientific research staff of 149, and 605 people engaged in economic activities.

Expenditures on the Foundation's research activities have produced considerable savings. During four months of the current year only 12.1 percent of the amount budgeted for 1992 was spent, including 2.3 percent on the centers' research projects. **During the same period, R746,700, or 57.4 percent of the budgeted amount, was spent on research trips abroad.**

By the order of the president of the Russian Federation of 23 December 1991 No. 129-rp, the Foundation received for its use the property formerly attached to the former Administration of Affairs of the USSR President's Administrative Staff (and before that—to the ION of the CPSU Central Committee), including a building complex on Leningradskiy Prospect—buildings with street numbers 49 to 55 with a total area of 60,822.8 square meters and a book value of R22.8 million, of which 3,591.3 square meters were leased out.

Until June 1992 a former dormitory building at 15-a Novopeschanaya Street, with a total area of 4,858 square meters (and a book value of R653,300) was partially leased to a number of organizations; in July of the current year the practice continued without completing the appropriate paperwork with the Russian Federation State Committee for Managing State Property. The Foundation

signed an agreement of cooperation with the Neftekhimbank joint-stock commercial bank, which envisages that the Foundation will become one of the bank's stockholders by acquiring shares valued at R150 million, to be applied toward lease payments on this building for 25 years. Against this future rent, the Foundation received from Neftekhimbank R150 million worth of shares, including R50 millionworth of preferred shares, the latter having been issued by the bank **improperly**, since preferred shares are sold by the bank to physical entities, mainly employees of a joint-stock company.

Accounting for material and monetary valuables was conducted along the guidelines of an outdated instruction of the CPSU Central Committee's Administration of Affairs; transition to an accounting system approved by the Ministry of Finance of the Russian Federation has not been implemented; not all material values were entered into the assets account (computers, Xerox); and no inventory was taken in the process of the transfer-receipt of material values.

### Gorbachev Reflects on Socialist Idea

934C0055A Moscow PATRIOT in Russian No 40,  
Sep 92 p 7

[Article by Mikhail Sergeyevich Gorbachev under the heading "First-Hand"; introductory paragraphs are source introduction: "The Socialist Idea Is a Search"]

[Text] Ex-President of the USSR. Ex-General Secretary. A leader whose actions objectively resulted in the disintegration of a mighty power into 15 impoverished republics which are torn by conflict and ethnic wars yet nonetheless are "independent" (if one ignores their complete dependence on foreign capital). A leader who as head of the Communist Party never once uttered the phrase "I am a communist," never going beyond vague declarations of his "devotion to the socialist choice." A leader under whom the party leadership, slipping into flagrant opportunism, brought the party to defeat. There was the concept of "new thinking," which inevitably led to a split in the socialist camp and the emergence of a "new order" which permitted the U.N. (read—U.S.A.) to intervene openly in the internal affairs of any state.

But that is just one point of view. From another standpoint everything—or at least a good many things—looks differently: disintegration of the evil empire and entry of the republics that comprised it into world civilization, destruction of the communist monster and the totalitarian ideology, freedom for the peoples of the former USSR and its allies, an end to confrontation between the two worlds, relief from the threat of global nuclear war, and a shift toward international cooperation.

As we can see, the assessments can be diametrically opposite, and each side has arguments in support of its claims. What about Gorbachev himself? What does he think today, now that he has in essence become merely an observer of the way in which the "process he set in motion" continues to unfold? In this regard a speech he recently gave in Berlin at the opening of the 19th

Socialist International Congress is of interest. It appears to reveal quite objectively the current mood of the former "top man" in the Soviet Union. The following is the text of that speech (slightly abridged), and we believe that our readers can draw their own conclusions. The people are the highest and most impartial judge.

\* \* \*

Lately people have often asked me whether I am a communist, a socialist or a democrat. Some people have accused me of betraying socialism, while others are upset over my continued devotion to the socialist idea.

You are about to hear the response of a person who passed through every level of the party hierarchy in a country where communist ideology was elevated to the level of state ideology, and where the forms of social structure corresponding to that ideology were imposed by all the means available to a totalitarian regime.

It would be a serious exaggeration to say that we grasped the scale and difficulties of perestroika from the very start. Moreover, our original concepts of its did not extend beyond the existing system, either ideologically or politically. At that time we were planning to perfect society as it existed then, to "make the system work."

It was only hard experience with our new policy and gradual liberation of society from the structures, rules, procedures, customs, stereotypes and prohibitions of the totalitarian regime that finally allowed us to comprehend fully that the changes we had begun could only be successful if we completely replaced the system that had been taking shape over a period of 70 years.

Historical changes were ensured when that tack was taken. The totalitarian monster collapsed, the people got their freedom, and irreversible democratic processes unfolded. The failure of the August coup was convincing evidence of that.

But there was also much that happened that could have been avoided and which is regrettable. I am referring above all to the collapse of the Soviet Union. My position on that issue is well known. I was resolutely opposed to the course which led to dismemberment of the country. I favored profound reformation of the state and its transformation into a new type of democratic federation or confederation.

However, events took a different turn. That prompted my decision to resign from my presidential post.

All that has occurred since that time proves that I was right. Judging by mass public opinion polls, a majority regards the collapse of the Union as the main reason for the woes that have descended on the country today.

The passing of time has also cleared up a second matter on which I disagreed with my opponents last year and which is still causing arguments: the speed of reforms, economic reforms in particular. I favored in-depth reform, but with a gradual introduction of people to new ways of living and new market conditions through consistent expansion of appropriate measures. They did not

agree with me, and applied what were essentially "Bolshevik" methods by forcibly imposing new forms. The result was a sharp and continuing decline in production and such a worsening of living standards that we are now on the brink of collapse. I insist that it is not yet too late, and that we need a new policy, one that will of course take existing realities into account and which will be based on civil accord in society.

The things that have happened over the past year are a harsh lesson for us all.

The antagonistic principle has prevailed throughout the centuries and millennia of human society's development. This has been expressed through bitter struggle between tribes, ethnic groups and classes, nations and states, religions and secular ideologies. And through an endless succession of bloody wars...

Yet never before was there a threat that the entire human race could be destroyed. Now the situation has changed. Faced with that threat, the interconnection of all the world's component parts has become their common destiny. Representatives of the world community expressed that interconnection in the "Agenda for the 21st Century" adopted in Rio de Janeiro.

Recently many constructive proposals have been made with a view toward turning the U.N. into an effective instrument of universal peace and security. I put forward several of my own ideas at Fulton. Clearly the next task will be to ensure that the U.N. not only can help resolve military conflicts, but also that it learns how to prevent them.

I do not envision the civilization of the future as monotonous and homogeneous; I see it rather as differentiated and pluralistic. That is precisely what will give it the ability to better adapt to the rapid rate of technical and social change and to external challenges.

From that it follows that my concept of the socialism of the future also differs from the deterministic view which has so long prevailed among Marxists. All our past experience supports a value-based view of socialism.

And also a perception of it as a process which integrates all that is progressive and democratic in the development of social thought and political practice, yet inspired by the ideas of solidarity, equality and justice. Therein lies the feature which differentiates it in its dialogue with other schools of thought.

The experiences of the 20th century have also taught us that efforts to present socialism/communism as a stage in societal development were fundamentally flawed.

That is particularly obvious now that the interconnection and interdependence of that development have become prerequisites not only for progress, but for the very survival of the world community.

Formation of value-based guidelines, competition between various schools of political thought, dialogue and mutual "monitoring" are all things that a normal

society must have. Society needs this impetus of initiative, without which it is doomed to stagnation, crises and dead-end development.

Some people have hastened to portray the dramatic events of the late 1980's and early 1990's as a "victory" for economic liberalism and the "end of history." And to claim that liberalism has become a universal answer to the fundamental problems of society's existence, with no room for any other political views. That theory has already been subjected to criticism, and in my view rightly so.

It is a well-known fact that in the struggle between two basic principles—efficiency and social justice—liberalism has been forced to imitate some things from social teachings. And that is nothing new; it started almost a century ago. The socialists have in turn been forced to resort to methods developed by the theoreticians and politicians of liberalism. Otherwise once they came to power they would have found themselves impotent and would have fallen from power.

Is that not an argument against a strict contraposition of the two schools of thought? Furthermore, they are not the only ones that exist in the world.

The failure of totalitarianism in the former Soviet Union was the failure of a certain system which was called socialism and which was perceived as such by many people, whether from a hostile standpoint or with approval and solidarity, even though it was not in fact socialism. However, the values that are usually included in the socialist idea have not lost their meaning to the extent that they reflect the realities of human existence in this world and human beings' relationship with the injustices and contradictions which exist therein. These are the things that have inspired the many generations of people who have fought for liberty, equality and solidarity and summoned large, massive movements into existence.

Today the very term "socialism" enrages many people in my country. Nevertheless, people cannot help but ask: what next? Where are we headed? Many people are beginning to become nostalgic for the guarantees which used to exist under socialism, no matter how good or bad they were.

I think that with the passing of time the socialist idea, reinterpreted, of course, will once again assume its proper place in the competition of ideas. And perhaps in the process of pluralistic intellectual search there will emerge a new thought paradigm based on a synthesis of all that is most realistic and viable in social thought.

In our era the socialist idea is proving itself more and more by the touchstone of common human interests.

On the one hand, I am talking about human survival. In the light of growing threats the limitations and vulnerability of the traditional ideologies have become more evident. As has the one-sidedness of a policy which pursues various partial interests, whether class-oriented, national or whatever. I feel that today the point of

departure for a rational policy should be human interests regardless of national, ethnic or religious affiliation or social status.

On the other hand, I am talking about the goals and criteria of progress. One historically conditioned aspect of progress until recently was the lack of all the essential material prerequisites that would objectively make it possible to bring into the practical realm the issue of human beings as the goal and purpose of progress, not the instrument thereof. Only at the current scientific and technical level is it becoming possible to set that as a goal, and moreover to do so at the scale of civilization as a global phenomenon.

In short, we need a new conceptual view of the future. This could be termed global humanism. I am not the first to use that term, but it seems to me a good description of the, if you will, "meta-ideology" which permits us to find a common language for the largest possible number of socially conscious people.

In this context the orientation toward socialist values as I perceive them will help us better understand society's economic and political realities. For example, the market economy should not be perceived as an end in itself, but rather as a means of achieving certain goals. And it should be understood that the market economy is not identical with democracy, nor liberty with the market economy.

Stated briefly, in my opinion no person and no single party-political school of thought has a monopoly on the truth. Nor is it likely that the fundamental problems of existence can be resolved once and for all. The highest wisdom of politics lies in the effort to solve those problems to the benefit of people and to be constantly on the search for answers. In that search there is room for all the schools of contemporary democratic social thought.

The current virtually universal weakening of the political left wing does not serve the interests of democracy. Increased activity by radical-right, nationalist and fundamentalist schools of thought should serve as a serious warning as to which forces could fill the "vacuum" which has been created by the absence of the left. I am certain that the difficulties now being experienced by the left are temporary and that they can and will be overcome. One of the most important prerequisites for doing that is to reinterpret the socialist idea as it applies to conditions here at the turn of the century.

The socialist idea is a search. Its sincere adherents, made wiser by the experience of the 20th century, have repeatedly demonstrated in practical ways their ability to respond to the challenges of the times, to propose new ideas and to unite people of differing views around themselves. I am convinced that socialists will be able to make a stimulating and significant contribution to the common search, for the sake of the present and the future.

16 September 1992

### Difficulties of Media Interrepublic Information Sharing Examined

92C2392A Moscow LITERATURNAYA GAZETA  
in Russian No 38, 16 Sep 92 p 2

[Article by Aleksandr Samoylenko, LITERATURNAYA GAZETA Kazakhstan staff correspondent: "Do People in Tallinn Know What Is Happening in Bishkek?": "Dark Days for the Information Space"]

[Text] I called 10 of my friends in various cities around the CIS and asked them all the same question: how many people died in the recent earthquake in Kyrgyzstan? No one knew how many, and six out of 10 asked: "What earthquake?"

We no longer have an interstate information space. The states have already buried the newspapers that we once all had in common by listing them in documents as belonging to Russia alone.

In the corridors of power and in the mind of the citizens of Commonwealth states there exists a persistent and growing legend that "Russia's" newspapers owe huge sums to the former Soviet republics, and that if those newspapers are still being published in Alma-Ata or Minsk it is only thanks to the kindness of local leaders.

It is true that interstate publications are going through some dark days. Nevertheless, it must be stated that the legend about debts owed to the republics is nothing but a lie. At a meeting held in Alma-Ata by a club of editors-in-chief of interstate independent newspapers it was made clear that those newspapers are making proper payments to publishers and communications companies in the sovereign republics. The banks issue editorial offices payment authorizations, they circulate the money and they make a profit doing it. What does that have to do with newspapers??

Publishers and communications companies are well aware of this banking banditry, yet they continue to spread the legend of bankrupt newspapers. Furthermore, they expropriate our paper to pay off debts...

Thus far only the Government of the Russian Federation has provided subsidies to interstate newspapers proportional to increases in the price of paper and printing costs. The other Commonwealth states are happy to use interstate newspapers as an information source without doing a thing to maintain that source. An astoundingly cozy position. Kravchuk and Shevardnadze, Sushkevich and Nazarbayev, Karimov and Dudayev, Akayev and Elchibey all appear in interstate publications from time to time, thereby assuring themselves an image as well as popularity for their policies. Yet at the same time throughout their republics they exploit bugaboos like "the hand of Moscow," "imperialist manners" and "Russian chauvinism" whenever an interstate publication dares to criticize something.

Good one way, and not so bad the other. Political dividends are guaranteed in either case. And in both cases they are absolutely free!

Russia cannot and, from a business standpoint, should not maintain the interstate information space all alone. What should the presidents of the other Commonwealth states do? As always, there are two options. The first is for every republic newspaper to open up dozens of news bureaus throughout the whole CIS. In Kazakhstan, for example, there are at least four republic newspapers. And there are at least 15 states in the Commonwealth. A little simple arithmetic tells us that Kazakhstan would have to maintain 60 staff correspondents, 60 offices, 60 cars and communications lines across the CIS... And so on for every former Soviet republic, including Chechnya, Tatarstan, Bashkortostan and the rest.

The second option... You can guess what it is. There they are, the interstate newspapers, highly professional and possessing a powerful and far-flung infrastructure and an existing readership that crosses all borders. So support them and utilize them all you want!

Kazakhstan realized this before the rest did. At a meeting with the editors-in-chief of interstate newspapers Nursultan Nazarbayev expressed support for the establishment of a fund to support those publications because today there is no way to get along without a unified CIS information space.

Otherwise there will simply be no one to tell the Georgians what is happening in Bishkek.

**Retired Operative Says KGB Being Restored**  
924C2470A St. Petersburg NEVSKOYE VREM'YA  
in Russian 31 Jul 92 p 3

[Interview with retired Colonel of State Security Ya.V. Karpovich by Valeriy Senderov of RUSSKIY MYSL in Paris, July 1992: "The KGB Tomorrow"]

**[Text] The name of retired Colonel of State Security Ya.V. Karpovich first appeared in the Soviet press in 1988 when he gave an interview to OGONEK about the Committee for State Security's struggle against the dissident movement and his own role in persecuting religious dissidents (in particular, Father Gleb Yakunin). Following publication of that piece his current students disavowed the colonel and the KGB leadership took away his "Honored Chekist" badge.**

**Two years later Ya.V. Karpovich recalled his own "operation" "Trust" on the pages of that same OGONEK, the game he played with the National Labor Union [NTS] leadership in Frankfurt during the 1970's. The journal POSEV reported at that time that the game had indeed been played.**

[Senderov] Yarolsav Vasilyevich, you were the first in the security organs to start unmasking this institution in the Soviet press. Now the name of General Sterligov has surfaced in what many consider to be a scandalous and dangerous manner. Did you ever encounter him?

[Karpovich] I not only encountered him I knew him well. I do not think that he is particularly dangerous, he is too miserable and insignificant a personality.

[Senderov] That is what they said about Stalin, he was not taken seriously. And this became one of the main factors that enabled him to come to power.

[Karpovich] Perhaps. Let's think about it. I am trying to recall everything that I know about Sterligov and say everything that I think about him.

[Senderov] First and foremost the interesting facts of course.

[Karpovich] In the late 1970's, when I returned to the Moscow administration from the First Directorate, he was a section chief in the Second Service. The First Directorate was foreign intelligence. The Second Service was counterintelligence, a subdivision subordinate to the Second Directorate. Sterligov was an imposing man, restrained, with a sense of his own great worth, not very talkative. Then we was transferred to the staff. I learned the details of this from Lieutenant Colonel Korolev. He was also an associate in the department; he spoke against the KGB in 1990 on the programs "Stolitsa" and "Vzglyad"... Korolev was subordinate to Sterligov and he immediately tried to recruit him and make him an informer. What is happening in the sections, what kinds of conversations are the operative having?

[Senderov] This was the usual system in the KGB?

[Karpovich] From the standpoint of a normal person, an officer, it was base and amoral. Naturally some agreed to it, but not all. Korolev refused point blank. Then Sterligov was exposed in preparing anonymous letters. One of his agents turned out to be useful to him because he was out of town. They were going to transfer the agent from his peripatetic work. This outraged the worker with whom he was in communication—Eduard Aleksandrovich Fufygin, who is now an instructor at the KGB Higher School. Fufygin was assigned to look at the anonymous letters. But he had just barely graduated from the Higher School and he had a good knowledge of the science of handwriting. He also understood the particular features of the handwriting he had seen somewhere. Then during his work he saw a document from his own chief, Sterligov...

[Senderov] As a nonspecialist I am struck by one thing. We have somehow become accustomed to thinking that there is professionalism in the KGB. In such a situation surely he would have used someone else's handwriting, would he not?

[Karpovich] You see, there are situations in which anonymous letters are carefully checked. And there are "signals" to which attention is paid, and then everything is buried forever. Especially if it is a question of an agent, who never wants to complain to anyone. Had it not been for Fufygin's unexpected interest, that is what would have happened. But Fufygin was outraged and he wrote a report to Alidin, the chief of the Moscow administration of the KGB. Viktor Ivanovich Alidin, colonel general, member of the collegium, and so forth. Fufygin intercepted him somewhere and handed him the report.

Alidin—not a stupid man, very sharp and also crotchety—was horrified. He had an expert examination made and it confirmed that the writer of the anonymous letters was Sterligov. He was transferred from the staff and they made ready to fire him. But many events were in train at that time. Andropov had come to power Fedorchuk had been removed from the Committee and named minister of internal affairs. He had demanded that the Ministry of Internal Affairs be strengthened with Chekists. Chebrikov agreed. Of course, they were terribly reluctant to join the militia. They remembered about Sterligov; he was a colonel at that time. It was difficult to find people for the Ministry of Internal Affairs and here they had a man from the staff. Then Alidin made the following approach. He conducted a second expert examination of the anonymous letters, and this time it failed to show that the perpetrator was Sterligov. This made it possible to return him to the staff and transfer him to the Ministry of Internal Affairs, and he was appointed chief of the Department for Combating the Embezzlement of Socialist Property and Speculation [OBKhSS] in Moscow. But he did not stay long in that post. Let us trace his further fate with Korolev's help: Following the recruiting attempt he was tailed very carefully.

Sterligov did not last long as OBKhSS chief; quite unexpectedly he was made chief of the USSR Council of Ministers administrative and supply department. You understand that this post is totally incomparable.

[Senderov] Does this not mean that his specific commercial qualities, which are now universally known, were noticed, and turned out to be advantageous for Ryzhkov and others?

[Karpovich] It was something else. Ryzhkov's son-in-law was a subordinate of Sterligov's. Naturally there could be no question of friendship between them—a colonel and a senior lieutenant. But Sterligov did start to act as his patron and look out for him. The young man transferred to the KGB, the central apparatus. Well, and Sterligov went to the Council of Ministers... Later Ella Pamfilova started work with the Council of Ministers Privileges Commission, first with Priinakov, and later with the more active chairman Ignatovich, a Belorussian investigator. And when she published her first documents Sterligov turned out to be one of the important figures involved in major abuses and corruption. He had acquired a dacha as his personal property and organized the "privatization" of dachas for many others... The newspapers reported this and last Sunday Ella Pamfilova talked about this on the television program "Itogi." Sterligov did not disdain "trivial matters": Half of the state duties were not paid and he concealed roads built to the dachas, and underground garages. From all these facts the USSR prosecutor's office opened a criminal case, in particular against Sterligov. Later the case was passed to Stepanov. Ella Pamfilova said that she can now find no end to this affair.

So what happened next was this. After publication of the revelations they started to talk about Sterligov as a KGB operative (when he had been confirmed in the work in

the Council of Ministers, which they forgot to mention). So they returned him to the Committee for State Security, this time to Kryuchkov. Soon, it was already 1991, he was promoted to the rank of general. Kryuchkov wrote the recommendation and the chairman of the Council of Ministers conferred the rank. Now Sterligov and Ryzhkov were living in the same house, in a private residence in the center, on the Sofiynski Embankment... When Ryzhkov laid claim to the post of president, Sterligov was one of the leaders in his election campaign.

Let us now go back together to Sterligov in the KGB. Gorbachev was trapped at Foros and on 20 August they went there to free him. Kryuchkov and Baklanov flew in on the first aircraft. Rutskoy and Silayev on the second. And Sterligov also turned up there. So on whose aircraft did he fly, with whom? Now Sterligov's program was the program of the State Committee for the State of Emergency. The one for the other. He was Kryuchkov's man; literally just before all this Kryuchkov had made him a general. And Sterligov had to be with him, in his retinue. Rutskoy sees the KGB general and says: "You will answer for him with your head, so sit in the same compartment and fly." In a LITERATURNAYA GAZETA interview a few days later that is exactly how Rutskoy described Kryuchkov's arrest. After him, this is what Sterligov wrote, so inarticulately: "Rutskoy told me..." He says nothing about the most important thing: with whom he went there and why—as a State Committee for the State of Emergency person by the very nature of things, or by inclination, or by necessity?

There is no doubt that as a professional Sterligov stands higher than Kryuchkov. But he was flesh and blood of the committee of which we have spoken a great deal in recent times. Attempts to reform this institution, both Bakatin's and the new ones, are useless, doomed from the start. They are quite out of line with apparatus and party ideas about what the KGB should be. The backbone of the committee's leadership has for three generations now been pressed from the party apparatchiks and nomenklatura. They are all skilled in playing career games. And when it became clear that Bakatin was nevertheless engaging in reform activity, the backbone also learned how to get rid of him.

[Senderov] So you think that these structures in the KGB are all-powerful and it is impossible to remake it into a professional institution of the Western type?

[Karpovich] Absolutely impossible. The role of the specialists in the KGB is strictly subordinate and they do not determine the organization's policy. Moreover, Bakatin would have had to change all leading personnel immediately.

[Senderov] And could he have done that?

[Karpovich] I think that the chief hindrances were moral ones. For he himself had come from that milieu. What he found there was essentially his own comrades, his own contemporaries with whom he had studied at one time in the party schools and functioned in the same structures... And he could not move against them. But the system, of

course, could, and it rejected him. You know, terrible things have been done recently in the Committee. Alksnis, Blokhin, and Petrushenko speak to the associates at a "meeting with interested people." And this is not done under the procedure of pluralism: These are the only ones they invite! They summoned Bulychev, one of the first associates of the Committee to quit the party in 1991, and the party secretary said to him: "It is impossible to work with you, you know, we must move to the attack." Bulychev was taken aback: "What attack?" "What do you mean what attack? On Yeltsin and all the others." These kinds of conversations go on everywhere, they are spoken openly, at all levels. At an open meeting the chief of the ZET department (the one formed to replace the Fifth Directorate, "to safeguard the Constitution"), Vorotnikov, stated this: "Don't talk to me about some kind of common human values. That is stupidity. There are only class values. And all of you, fellow associates, sitting here, should define your own positions about what you stand for—capitalism or communism."

[Senderov] Sterligov recently announced the creation of underground detachments of the "Red Brigades." Do you think this is being done to charge the situation or is it a real threat?

[Karpovich] You understand that a great deal can be done on the base of the lumpen.

[Senderov] There are enough ordinary militia for the lumpen. But can they find the professionals to head these associations?

[Karpovich] Undoubtedly. Essentially these professionals are trained in the Committee for State Security, and in very significant numbers, in "Kaskad," "Alfa" and other "quick response" formations...

[Senderov] According to one widespread version "Alfa" refused to participate in the events in Moscow. What do you think about this?

[Karpovich] I am deeply convinced, and as a professional I can say this to you: There is a time for each specific measure. When for example, Kalugin and Yakovlev, the former Central Committee secretary, talk about how they were surrounded by a "skin" on the morning of the 19th... And moreover they saw it from the window... So Kalugin did not spend the night at his own house but with some Americans in a hotel somewhere, while it was only with the help of the Ministry of Internal Affairs that Yakovlev was able to reach the White House... I am disinclined to believe this. Although, even if Kryuchkov was not much of a professional, his advisers were. On the 19th we were here with you when the tanks and armored personnel carriers rumbled through the Kirovskiy Gate; they were to drown Moscow in horror. But the activists in the democratic movement would have started to withdraw in a few days. Just a few days; no one was about to involve the army in those maneuvers! When the tanks came and took up their stations and the city was being patrolled, and there was no outrage or strikes, and the curfew was being

observed, that was when it would have been possible to start the second part of the coup. That was to isolate the activists and move on to a bright future with the rest of the population.

It was unreasonable to use "Alfa" for the White House; two or three days later it would itself have fallen.

[Senderov] But in any event the White House was a serious moral and psychological factor. Could it have been left?

[Karpovich] Apparently they failed to "take this into account," it was outside the set of standard subjects. And as far as "Kaskad" and "Alfa" were concerned, their time was to have come later. They were to do their thing in the Baltic and other places...

[Senderov] You are, of course, aware of the popular view: that, to put it mildly, they are no angels but they refused to fire on their own people.

[Karpovich] Like there are everywhere, there were people there who did not want to shoot. But when an order goes into effect, some time of harsh events... in such a situation you cannot just shrug your shoulders, but perhaps I would still not go, who can say? An unreal situation.

[Senderov] That is, "do anything in order to avoid doing anything," as General Karpukhin wrote, simply comply with the order?

[Karpovich] Most likely. Events were not supposed to have unfolded the way they did. Life itself provided many opportunities to give interviews later, to say that they refused to comply with orders. They were simply unable to refuse. Even those who would have wanted to... I know some of these people, worked with them. One of the "heroes" of LITERATURNAYA GAZETA is General Korsak, deputy commander of the Moscow KGB. He had been secretary of a Komsomol city committee, one of those who was sent to "strengthen" the organs...

[Senderov] Let us return to our hero. Have you known anyone who defends Sterligov? Are there any at all among the associates in state security?

[Karpovich] This is also unnecessary: There can be no people there from the KGB. Simply because the stratification among associates of state security is also quite marked. Late last year a colleague telephoned me, he is considerably younger than me, he is still working there. "I am still alive," he says, "Maybe I should leave?" "And do what?" "I participated in the defense of the White House." "So?" "Well, I was on leave at the time, and when I learned about the putsch I rushed to the White House and was there the whole three days, at the barricades, as the leader of one of the defense units." He is a colonel. Then he was made famous in ZHURNALISTIKA: One of the correspondents happened to be there. And when it was all over he went to the chief of the Moscow KGB, General Polunin, and said: "I cannot hide from you the fact that I took part in the defense of

the White House." The general made a wry face, hemmed and hawed, but made no response. But now, speaking on the telephone, I clearly sensed that my acquaintance had been told he was to be fired. And that is not happenstance. After the putsch it was firmly established that everyone who had participated one way or another in the defense or expressed any sympathy with democracy, and those who had quit the party making reference to the need for departyization in the KGB, would be urgently pushed out of the organs under the motto "we don't need any dissidents."

[Senderov] A somewhat frightening picture, because the impression now is that there really is stratification and one would think that they are indeed being strengthened by forces that have at least the outward appearance of democracy. But is it that these kinds of people are indeed being purged?

[Karpovich] This is what is happening. It is not enough that they are purging these people. Bakatin's initiative struck at almost everyone. The border troops have now been recalled. The guard [okhrana] is again being restored. Few remain: Intelligence is again being brought under their wing. And given Primakov's staggering passivity, this is not a complicated thing to do.

[Senderov] So that after this we can reckon that the KGB will have been totally restored?

[Karpovich] The KGB is being restored because this kind of Committee needs party structures, as previously. And this concerns not only the KGB: We have always handled the Central Committee department for administrative organs. Everyone knows about their congresses—but can we really believe that they are being restored only at this kind of facetious level? And the main force—the military-industrial complex—has in general been left almost untouched. However, this is no longer something within my competence; many other people are better qualified to talk about it than I am.

#### **Interview on Grain Production, Processing, Distribution in Former Republics**

924A20604 Moscow *IZVESTIYA* in Russian 30 Sep 92  
pp 1-2

[Report on interview with Candidate of Economic Sciences Andrey Sizov; place and date not given: "How Countries of the Former USSR Are Provided With Grain"]

[Text] The FAO (Food and Agriculture Organization of the United Nations) has just completed research on the food situation in countries of the former Soviet Union. It conducted it on order from the CEC (the Commission of the European Communities). On the basis of the data obtained in the course of research the CEC intends to construct a policy of food assistance, granting of credits, and sale on favorable terms to countries of the former USSR.

Forty-year old Candidate of Economic Sciences Andrey Sizov, formerly an associate at the Institute of World

Economics and International Relations, now head of the private firm "Sovekon" ("Soviet Economists on Soviet Economy") participated in the research. We asked him to discuss the food situation in the countries of the former USSR, primarily the state of the grain market and grain reserves.

#### **Do Countries of the Former USSR Present Their Own Food Situation?**

In A. Sizov's opinion, poorly. Many republics do not have grain balances. This is a very simple, generally accepted thing—information on the receipt of grain (from production, import deliveries, and outlays from reserves), on the expenditure (on food, feed, technical processing, and seeds plus losses), and on the remainder. In order to form an objective opinion of the food situation, it is necessary to have a correct grain balance. In our country, however, balances are drawn up on a calendar basis—from 1 January to 31 December—which greatly confuses specialists, whereas all over the world, from harvest to harvest

Inaccurate grain balances lead to the fact that the republics do not know how much and what they should purchase abroad.

Furthermore, our countries hardly have information on vulnerable population groups. They do not have a clear idea of who really needs food and what products are necessary at a given moment. No foreign countries and even groups of foreign countries will feed the republics of the former Soviet Union. They will only be able to help with food and in small quantities at that. Therefore, it is especially important that those who need help most of all receive it first.

#### **Will We Not Starve?**

It follows from the research that there will be no hunger in the literal sense of the word, although some republics will be on the verge of it.

However, a sharp drop in the qualitative level of the diet is observed in all the countries of the former USSR. That is, in all probability, we will eat as many kilograms of food as in the past and perhaps even more. However, in the content of protein and vitamins and in the availability of mineral substances and salts this diet will be much poorer. For example, an annual per-capita consumption of milk and dairy products of 250 kg is expected in Russia this year. For comparison: In 1990 it was 380 kg. Meat consumption, which is low as it is, is decreasing from 75 to 59 kg. Fruits and vegetables are becoming unavailable and their consumption is seasonal. In connection with this an increase in diseases connected with vitamin deficiency should be expected. They will break out primarily among the most vulnerable population groups: pregnant and nursing women and children under the age of 1.

A type of diet with a high share of animal food balanced in protein and vitamins now dominates in Western Europe, the United States, and Japan. In the Soviet

Union the diet was always unbalanced: The shortage of animal products, vegetables, and fruits was compensated for by a higher consumption of bakery products, macaroni, and potatoes. At the same time, however, from the postwar period until the 1990's the share of consumption of animal products was growing. Now this tendency has been broken.

The qualitative deterioration in the diet is accompanied by an expansion of the food share in the total structure of consumption: From 50 to 80 percent of the family budget is spent on food.

#### Nevertheless, How Are We Provided With Food?

As the FAO mission revealed, the most stable situation is in Russia (it will gather about 100 million tonnes of grain), Ukraine (about 41 million tonnes), Belarus (about 8 million tonnes), and Kazakhstan (23 to 25 million tonnes); in Kazakhstan, especially. Now it is the only republic that has a surplus of food, primarily grain. It will be able to live self-sufficiently and even to export about 10 million tonnes provided harvesting is completed successfully. The rest will not be able to provide themselves with food—even Ukraine, which has a good "grain reputation."

The situation in Central Asian and Trans-Caucasian countries and Moldova is very difficult. Previously, these republics received grain and fodder through the center. There was no problem of "how to buy?"—there was a problem of "how to obtain?". Now the situation has changed: The republics that have declared economic and political independence have encountered the problem of how to feed their population. There is a shortage of local food (basically, grain) resources, but mechanisms of grain purchase on the Western market and in neighboring countries have not been worked out and the transport delivery of imports has not been ensured. Above all, however, trade is hampered by the fundamentally nonmarket-oriented psychology.

In Uzbekistan FAO experts were told: "Force Kazakhstan to sell us 2 million tonnes of grain!" In Kirghizia, conversely: "We will fall on our knees before Kazakhstan and beg." Anything you like: to force, to beg, only not to trade.

As a result, there can be a critical situation in these republics in winter. Apparently, Tajikistan and Armenia will be on the verge of physical hunger.

#### Baltic Republics Are Becoming Poorer More Rapidly Than Central Asia

To the question "what is now the food situation in the Baltic states?" A. Sizov answered: "Desperately bad." In all three republics there is a crop failure owing to the unprecedented drought. Whereas in the last 4 years Estonia has gathered 840,000 tonnes of grain, on the average, this year 400,000 tonnes are expected; in recent years Lithuania, 3.1 million tonnes, on the average, and this year, 1.5 million tonnes; Latvia, usually 1.5 million tonnes and this year, 900,000.

Moreover, these republics traditionally specialized in animal husbandry and the center delivered fodder grain to them. Now, under the conditions of the crop failure and the lack of a center, the livestock population will sharply decrease in the agriculture of the Baltic states and by the spring both kolkhozes and private farms will be on the verge of bankruptcy.

Latvia has already turned to the FAO with a request for urgent food assistance. Its possibilities for the import of grain are extremely limited, because this requires Western credits, which are very negligible in Latvia and do not cover import needs.

#### All Republics, Except for Kazakhstan, Are Forced To Import Grain, But Not All Are Able To Do This

And so, if there is a shortage of grain, it should be purchased from the same Kazakhstan, although it will not provide everyone, and from distant neighbors. Imports are possible only for currency. There are no currencies in the budgets of the countries of the former USSR, at least in the necessary quantities. Therefore, Western countries grant them credits. Purchase on credit has its minuses—getting into debts and the need to buy only from the country that granted credit—and pluses—it saves us from hunger. The U.S. food credit of 900 million dollars, which has recently been granted to Russia, is very advantageous for us—Andrey Sizov stresses—owing to its timeliness. It makes it possible to purchase fodder grain and corn in the United States right now, immediately after harvesting, that is, relatively cheaply. If credit were given in the spring of next year, we would have to buy the same grain at higher prices.

The situation with imports is also complicated by the fact that in the former republics of the Soviet Union, except for Russia, there are no good specialists in this business. The Union "Eksportkhleb" was transferred to Russia and this insured it against mistakes to some extent. "Eksportkhleb" specialists are well familiar with market conditions and firms from which it is worth buying grain. In other republics there are a lot of examples when homebred specialists constantly conclude transactions with Western firms, which have nothing except for a telefax in a private apartment and solemn assurances that they will fill the country with cheap grain. FAO experts were also surprised that the import of grain through the so-called oblast barter was virtually not controlled in Russia. An oblast obtains permission to export energy carriers abroad in order to buy grain. The republic permits this graciously without control. But instead of grain, a batch of Mercedes Benz cars is purchased in the West. Such cases are very frequent.

#### Does Import Prevent the Formation of Our Own Grain Production?

In the early 1970's the Soviet Union adopted a policy of grain import. Instead of developing agriculture and striving not so much for gross output as for the quality of output, we spent petrodollars on the purchase of grain. This was simpler and more convenient and gave rise to

an incredible dependence in all structures. Why should purchasing organizations think about quality when it is possible to order imported grain? Why should the Ministry of Agriculture rack its brains over varieties when it is possible to introduce high-yielding but low-quality ones and to make a report on gross output? This resulted in a paradox. With a harvest of 200 to 220 million tonnes, which exceeded our needs in its volume, we were forced to import grain owing to the poor quality of our own grain. When in the 1960's we exported grain, even though only a little, that is, within 3 to 5 million tonnes, the quality was maintained. However, since the 1970's we have found ourselves in an import loop. Now almost all the republics of the former Union have inherited it. It is impossible to get rid of it immediately, especially now. However, there is a need for a policy that would stimulate the development of local grain production in most republics.

#### **Do Our Countries Have Prospects To Become Grain Exporting States?**

Grain export is not an indicator of success in food matters. If, for example, in Russia or Ukraine animal husbandry is curtailed at the same rates that exist this year (in Russia livestock and poultry production has dropped by 22 percent and in Ukraine the drop is the same), soon it will be revealed that they no longer need to import corn and soybeans: There is no one to feed. It will turn out that in our country barley and even corn—with its most modest production volumes—are sufficient for export. In this case we will be rich in grain. However, this wealth will exist alongside impoverishment—a variant of prerevolutionary Russia: a big grain export from a poor country. India, with a poor development of the animal husbandry sector, which is the basic consumer of grain in any developed country, exports grain during some years.

If some country of the former USSR begins to get out of the crisis, if economic growth begins to show in it, conversely, the import needs for grain will increase. This is good—from the tactical point of view—because this will mean that the decline in animal husbandry has stopped. However, Andrey Sizov believes that the strategy of agricultural development should be aimed at grain self-sufficiency.

#### **How To Achieve Grain Self-Sufficiency?**

In most CIS republics the policy of development of local grain production should be put at the head of the list. It requires from the state sensible purchasing tactics. In his opinion, right now governments should announce base prices of grain of the 1993 harvest. In the summer of 1993 the market will correct these prices. Now they are needed in order to stimulate the sowing of winter crops.

If such prices (indexed depending on the inflation level) are not announced, a sharp reduction in sown areas will begin and peasants will not orient themselves to what the demand will be and what is worth sowing. Owing to the seasonal nature of production and high dependence on natural conditions, agriculture needs additional guarantees of a strong partner. Only the state—both in the West and in our country—can be such a partner. However, in our country, as a rule, it tries to dodge the regulation of grain policy. And this is very dangerous.

#### **There Will Be No Winners in the Fight About the Price of Grain Between Agricultural Producers and the State**

Grain producers have now taken a very tough stand. One can understand them: Under the conditions of price vagueness, when the buyer state does not announce the rules of the game or constantly juggles them, they are inclined to withhold grain. However, it is doubtful whether they will be able to utilize it properly. First, on kolkhozes and sovkhozes there is a shortage of capacities for grain storage. Second, the attempt to use grain for livestock feed will encounter a declining demand for livestock products. Third, barter will hardly save the situation owing to the episodic nature of such transactions.

Governments will also lose, because under conditions of the uncertainty of and delay in internal purchases they will be forced to overstate import needs.

This confrontation and inability or unwillingness to bargain will result in a defeat to the two sides.

#### **In Case of a Change of Economic and Political Courses and Even of Governments We Still Will Not Be Able To Eat, as During the Period of Stagnation**

The task now facing the countries of the former Soviet Union is to prevent a slump in production. This slump is general economic, not structural, and to stop it is not an easy and quick matter. It is obvious that next year the situation on the food market will not improve and the consumption of food products will decrease. Probably, we will not manage without decisions on the revival of and support for agricultural production.

The demands to return at least to the higher food consumption during the period of stagnation through the effort of economic and political will are illusory. At that time we had an abundance of oil and gas, we sold them on the foreign market, and we purchased expensive food there, but we sold it cheaply in our country, at least in big cities. At that time we lived and ate better than the state of our economy permitted us. Now we do not have such resources. We have eaten them away. And we live according to the state of our economy. Perhaps even slightly better.

**New Russian Ambassador to Belarus Interviewed on Relations**

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6 Oct 92 p 2

[Interview with Igor Aleksandrovich Saprykin, newly appointed ambassador to Belarus, conducted by Anatoliy Andrukovich, under the rubric "Power and Politics: Abroad"; date and place not given]

[Text] The Russian Federation [RF] has begun to form a network of its own diplomatic representations in the immediate neighboring foreign countries. Among the first, the professional diplomat Igor Saprykin has been appointed the Extraordinary and Plenipotentiary Ambassador of the RF to the Republic of Belarus.

[Andrukovich] Igor Aleksandrovich, you have been appointed to Minsk in the difficult period of the development of Belarus's sovereignty and the inclusion of its economy in market relations. Isn't there a sense that insurmountable difficulties await Russian diplomats in terms of arranging the embassy and everyday lives of the associates?

[Saprykin] Belarus is considered one of the most stable and crisis-resistant republics. There are no conflicts on ethnic grounds here. But you were correct to note that in Belarus, just as in Russia, the reforms are having difficulty. Unfortunately, the procedure for exchanging diplomatic missions is dragging out—there are no proper accommodations for the embassy and the associates. We understand these problems, but they must be resolved. The matter has already reached the point of correspondence between the premiers, and I am hoping for a favorable solution very soon. We are well acquainted with the hospitality, openness, and industriousness of the Belarusians and their desire to share everything they themselves are rich in.

[Andrukovich] You are in addition the leader of the RF state delegation in the Russian-Belarusian negotiations which, as I know, encompass a broad set of questions. The press already reported that as a result of this work 21 documents were signed in July. What projects are now lying on the negotiations table?

[Saprykin] The negotiations process between Russia and Belarus is moving along productively. Recently I visited Minsk again with drafts of six agreements. Above all the topics were legal aid, regulation of migration processes, and protection of the rights of migrants, mutual protection of authors' rights, cooperation in legal protection of industrial property, and a number of other matters. On 29 September I officially presented my credentials to the Belarus leadership and began performing the duties of ambassador.

[Andrukovich] Evidently you will have to begin from scratch?

[Saprykin] All Russian diplomats must do that. Belarus, although it was an organizer and soon will have been a

member of the United Nations for five decades, is also in fact starting from scratch, if we take the Declaration on Sovereignty as the reference point. Like any independent state, it is above all trying to meet all the interrelated challenges: to provide favorable external conditions for internal development and to painlessly join the world community. These processes are natural and we will promote their development on principles of equality and mutual benefit. Everything will be resolved at the negotiations table. Without ultimatums, threats, or pressure.

I am certain that Russia wants to be an equal partner for each of the independent states. And so we will move in tandem with the republics of the former USSR which have become sovereign but are part of the CIS for a long time yet.

[Andrukovich] We see that in different parts of the former Union interethnic conflicts are emerging and language problems are being artificially inflated. Doesn't that frighten you?

[Saprykin] Unfortunately, Belarus has not avoided the language problem either. But I am convinced that it is exaggerated in this republic: some people very much want to heighten attention on it and make political capital. Nonetheless my experience of living abroad for a long time suggests that living among people and ignoring the language of communication of the people is immoral. I myself and all the embassy's associates are intensively studying the history of Belarus and its culture and language. The language of every people is sacred and following a policy of curtailing it is immoral. It was not to impose its own language and its own culture, even on a fraternal people, that Russia marched to its democratic achievements.

[Andrukovich] It is commonly thought that the diplomatic service in the immediate neighboring foreign countries is not very prestigious. But what is your opinion: are professional diplomats willing to go into it?

[Saprykin] The embassies which are being opened in the Commonwealth countries are not large: 15-20 diplomatic employees plus service personnel. And even so I will not be baring my soul when I say that the best diplomats are glad to go to these jobs today. And in fact the people who have been sent to Belarus are also mostly professionals with a great deal of experience in international work.

I will tell you about myself very briefly. I am 54 years old, a Muscovite, and I grew up in a large working family. I graduated from MGIMO [Moscow State Institute of International Relations] and the Diplomatic Academy. I worked in the central apparatus of the MID [Ministry of Foreign Affairs] and abroad in England, Australia, and Bangladesh. I know that important work awaits me at my new job: the first bricks in the foundation of the new interstate relations between sovereign Russia and the sovereign Republic of Belarus must be laid. One cannot fail to rejoice in such a future.

**Prospects for Russian-Armenian Relations Assessed**

934C0074A Moscow NEZAVISIMAYA GAZETA  
in Russian 9 Oct 92 p 3

[Article by Armen Khanabyan: "Russian-Armenian Friendship Could Be Subjected to Testing: Future Prospects for These Relations Look Somewhat Cloudy"]

[Text] Against the background of the present-day conflicts between the former Soviet republics, reciprocal territorial, economic, and other claims, Armenian-Russian relations these days seem almost idyllic. The lack of a common border, as well as any appreciable Russian minority in Armenia, automatically excludes an entire stratum of potential complications. Furthermore, official Yerevan is very loyally disposed toward the economic policy being conducted by the Russian authorities and realizes that without a revival of multilateral cooperation with the former mother country Armenia would still be doomed for a long time to a chilling effect—one which would exclude any serious successes in building market-type structures. Attesting to this was the signing during the course of the visit to Yerevan by Yegor Gaydar of a packet of financial and economic agreements, which—in the opinion of the parties concerned—should raise the quantity and quality of bilateral contacts to a new level. Both Gaydar and Armenia's Premier Khosrov Arutyunyan evaluated the results of the visit extremely highly. In particular, the Russian leader noted that Moscow would accord strategic importance to the ties with Armenia, whereas Arutyunyan stated that the level of mutual understanding which had been achieved allowed him to view the future with optimism. And, in general, these talks and negotiations took place in an atmosphere of good will and friendship. Nevertheless, the possibility has not been excluded that this friendship and mutual understanding could be subjected to some extremely serious testing in the future. It could happen that most of the economic and business agreements will remain on paper. In order to implement them, we need—first and foremost—to eliminate the transportation and energy blockade in which Armenia now finds itself. It seems that it will be very complicated to do this, and not just because of the well-known stance taken by Azerbaijan. Events in the Northern Caucasus could cut Russia off entirely from Transcaucasia and interrupt all communication and transportation, without which there can be no talk of economic cooperation. However, there is much more to this problem than purely technical complexities. There are also political tendencies for a probable reciprocal cooling. Armenia willingly and gladly agreed to Russian mediation in the Karabakh conflict, inasmuch as the treaty signed in Sochi provides for a cease-fire without any pre-conditions; only after this can the lengthy negotiation process begin with regard to the status of Karabakh. Naturally, the Armenian side hopes that—in this connection—the present-day de facto independence declared by the Nagorno-Karabakh Republic will—in some degree or other—be put into a legal format and that Azerbaijan will lose the opportunity to annihilate or deport the population of this region. However, at the time of Yegor Gaydar's visit to Yerevan he stated that the political aspect

of this problem should be resolved within the framework of the CSCE [Conference Security and Cooperation of Europe]. This produced an extremely negative impression in Armenia, since the experience of lengthy consultations under the aegis of the CSCE at the time of preparing the conference on Karabakh in Minsk showed the unacceptability of the approach taken by this organization for the Armenian side, and this served as the reason for cutting short the meetings in Rome. The fact of the matter is that the CSCE, as—by the way—did the former USSR as well, regards the principle of the absolute inviolability of the existing borders as the sole, rather than just one of the possible conditions for bringing peace to the region. This significantly reduces the potential for the peacekeeping mission, lessens the political space or room for mutually acceptable compromises, inasmuch as it satisfies the requirements or demands of only one of the sides involved. At one time this mistake, multiplied by inconsistency in evaluating the situation, cost Gorbachev the Center and the complete loss of authority in Armenia. It seems that nowadays the new Russia is about to repeat that same mistake, and this—of course—would lead to the collapse of its peacekeeping efforts and would exacerbate relations with Yerevan. It would probably be more productive to take another path—one on which Moscow, without excluding the participation of international organizations, would be able to work out and propose to the parties concerned some serious variant for resolving the conflict. This would be realistic. Nowadays the most diverse conditions are being worked out for reciprocal relations between the Kremlin and the republics which are emerging within the Russian Federation, right up to confederative relations. It would seem that the experience developed in this field could also be utilized in Transcaucasia. Russia could also become the guarantor for the secure existence of Karabakh's Armenians, or it could implement the well-known idea of an Armenian-Azerbaijani joint protectorate—one which could have a tripartite rule with Moscow's participation. Nor should we exclude the possibility of a purely Russian guardianship for a specific, limited period. Moreover, Russia could offer to make it an UN Mandate. In sort, the conflict—no matter how serious or grave it may be—is far from being fundamentally impossible to solve. And if the Kremlin exhibits flexibility and strives to take the interests of both sides into account, there is a chance that Russia's political, military, and economic presence in the region would be regarded by the peoples—who are tired of war—not as a continuation of imperial force, but as a blessing.

**Yakutia Delegation Visits Latvia**

934C0074B Moscow NEZAVISIMAYA GAZETA  
in Russian 9 Oct 92 p 3

[Report: "Latvia"]

[Text] A delegation from Yakutia (Sakha) is on an official visit in Latvia. The head of the delegation, the chairman of the Yakutia Supreme Soviet Presidium, Kliment Ivanov, met with the chairman of the Latvian Supreme Soviet Presidium, Anatoliy Gorbunov. An interparliamentary protocol was signed.

## POLITICAL AFFAIRS

### Poltoranin Comments on Politics, Economics

934C0082A Moscow ARGUMENTY I FAKTY  
in Russian No 40, Oct 92 pp 1-2

[Interview under the heading "In the Corridors of Power" with M. Poltoranin, deputy premier of Russia, by A. Uglanov; place and date not given: "We Are Pulling Russia Out of the 'Ditch'"]

[Text] M. Poltoranin, deputy premier of Russia, has come in for increasing mention of late as a critic of R. Khasbulatov, speaker of the Russian parliament. Yet this is a very negligible and not the most important aspect of his life.

[Uglanov] Mikhail Nikiforovich, you would not, to look at you, say that you were in a bad mood.

[Poltoranin] Why should I be? However much Bolshevik journalists may emit around them fumes of hatred, the reforms are going forward. Tear yourself away from the newspapers and television screens frightening people with cataclysms and go into the heartland—people are going about their business, plowing their land, and building their large homes. They are becoming proprietors. One further long-awaited moment: a reduction in the decline in group B production manufacturing consumer goods has begun.

[Uglanov] What has brought this about?

[Poltoranin] The first steps of the structural reorganization of the economy. And the fact that the period of waiting to see who would win—the consumer or the producer—is coming to an end. Prices shot up to such an extent that few people could buy any of the merchandise. For this reason all refrigerators were stuffed with meat, all warehouses and so forth, with "finery" and household appliances. The producer began to realize that the reforms were proceeding in earnest and that the government could not be chivvied into changing course. Bankruptcy was the only alternative. And they are starting, lowering the prices, to bring the output to market. And are looking, of course, to see in what and where they can reduce production costs.

[Uglanov] And your personal mood? Your recent "exchange of fire" with Ruslan Khasbulatov: what lay behind it, and is the speaker's threat to have you dismissed real?

[Poltoranin] Before the previous, Sixth, Congress of People's Deputies of Russia, Khasbulatov promised in an interview, if you recall, not only to dismiss me but also to have me jailed for the failure of my views to correspond to his position. He has in the past six months been unduly severe toward those who do not respect the newspaper SOVETSKAYA ROSSIYA and who do not term ours a government of "occupation." But I am not, as you can see, wearing handcuffs yet. Even despite the

fact that structures openly calling for the ouster of the executive have nested in the White House, beneath the speaker's wing.

This "house" does not like it when there are many estates: first, second, and third, and a fourth has intruded, in addition. But I am for diversity, and it is in this soil that clashes have occurred. But I do not want to take this topic any further.

[Uglanov] We see that a lively line for the office of prime minister is being installed. This is gratifying, but how, formerly, did Ye. Gaydar "rise" to this office when Russia resembled a large, silent cemetery?

[Poltoranin] At the president's behest G. Burbulis and, to some extent, I undertook the selection of candidates. We talked with many people. Several teams submitted systems for implementation of the president's ideas. And the efforts of Yegor Gaydar appeared the most successful. He staffed his team as he went along.

[Uglanov] But did people not have you in mind also for prime minister at that time? And how did you view another's good fortune, so to speak?

[Poltoranin] I believe that Gaydar hits the spot. And that we should get on with our business.

[Uglanov] It has to be said that there were not that many to choose from: the people were sick of the old economists. The new shoots were still being grown.

[Poltoranin] Choosing was, indeed, difficult because many economists were good merely at declarations. But what mechanisms to select for dismantling our militarized economy, how to switch painlessly from planned barge-hauling to processes of self-regulation? This was a very difficult problem. Not because people in our country are stupid but because such work is being performed in the world for the first time. Countries have perished with such structural deviations of the economy as we had (we were even then being helped by petrodollars and credit). All the more so in that much had by that time disintegrated, and Union republics with industry working for human needs had split off from us. Recognizing all this, other economists decorously moved aside somewhat. But Gaydar and his associates had made up their minds. Someone had to lance the abscess—otherwise collapse.

[Uglanov] You are a deputy premier and minister. What kind of work do you have to do?

[Poltoranin] The most varied. The situation is forcing me to be not so much a politician as an industrial manager and a punch. We are expending much effort here, in the ministry, on the creation of the material and technical base. It is very weak and old and requires investments. We are cooperating with others and trying to retool industry. The manufacture of four-color machines on a former mortar production line has begun in Russia for the first time, for example. We are locating them at printing works in Tver and Smolensk.

School textbooks, say, have traditionally been printed in Germany. We are still having to spend tens of millions of dollars annually to pay for them. But next year we intend printing them ourselves. I am more pleased about this than anything else. I work with the mass media, naturally. The main thing here is to strengthen the fourth estate in Russia.

[Ugianov] Is an edition of a digest of addresses and speeches of Boris Nikolayevich being prepared?

[Poltoranin] No one has even thought of putting out a collection of his speeches.

[Ugianov] What do you see as your most notable achievements?

[Poltoranin] Is it now the right time to be expatiating on achievements?

[Ugianov] But I see the books which you have in your office. They are not the reminiscences of Brezhnev, Andropov, Gorbachev, Yeltsin and so forth. They are books about the unknown Russian avant-garde, Havel, Reagan, John Paul II, the GULAG. I see books with the Russian eagle, there are shelves of reprint publications, including a 90-volume Tolstoy. Is this not a contribution? The fact, for example, that practically any book can be purchased on the streets of Moscow? The fact that all this Markov-Bondarev host has vanished—is this not a contribution?

[Poltoranin] This is simply the work of emancipated people. Almost 4,000 independent publishers are registered in Moscow. And it is the independent publishers which are today publishing the most interesting literature.

[Ugianov] So the state-owned publishing houses should be dissolved, like the weak kolkhozes, say?

[Poltoranin] Why should they be? Let them determine their future in competitive struggle. This is what is happening. We will get by without Budennyy-type assaults, without the clang of cavalry swords. Why do we necessarily have to blow up the dam? It is sufficient to open the locks.

[Ugianov] But this is like the Civic Union's concept: opening the doors to the market "just a little bit." The union is demanding that the Gaydar program, which is called a "wide-open door," be adjusted to fit this model.

[Poltoranin] It is like it, but not entirely. It seems to me that the Civic Union is at least a year or two late with its program. It wants to open the locks when almost all the water has drained through the channel. You know, however, that we embarked on the reforms in publishing back in 1990. And have step by step weakened state control. A year ago, when Gaydar began his work, I was a supporter of somewhat greater state control of the reform process than proposed by his team. Specifically, of the level of profitability of the monopolists and their exports, prices and so forth. First, I had no faith in the

commodity intervention of the West. And, second, I had some reservations as to the assiduity of the new members of the government from the economic block.

[Ugianov] The assiduity or capabilities?

[Poltoranin] Assiduity, precisely. They all have sufficient capabilities. But an "iron" rear, if you'll excuse me, is needed in this work in addition to brains. And it is, as a rule, an item of which there is a shortage among talented youth. In-depth analysis, the presentation of alternatives, and model forecasting were needed. And, to crown all this, the preparation of a broad set of measures of self-regulation in order to install, for example, shock absorbers at the time of the price liberalization were necessary. Doing all this at the same time as the principal task—stabilizing the financial system—was difficult, but it had to be done.

And it was done, but far from always with a will, of course. The entire Gaydar concept is now reeling from the blows of criticism on account of this unfinished business and the miscalculations. We need simply to improve the government's work in particular areas, not return to the starting positions, to which our opponents are pulling us, which would mean "locking in" a low living standard for many years to come. We are sailing on stormy seas, as it were, and the shore is already in sight, we need only lean a little harder on the oars, not furiously shout: "Back!"

[Ugianov] People are often confused as to whose reforms these are: Yeltsin's or Gaydar's.

[Poltoranin] Generally, Boris Nikolayevich never distances himself from the government. But there are clients, and there are executants. Yeltsin was victorious with the ideas of these reforms at the presidential election, and Gaydar and we together with him were hired, as it were, to devise methods of implementation of these ideas. It is the president's right to change the executants. The president, as the highest officer of the state, elected by Russia, has two props for the fulfillment of his electoral mandate: the government and the Supreme Soviet. Political culture is still very low with us, evidently, if some legislators, standing on tip-toe, are all the while attempting to strap presidential "epaulettes" on their shoulders.

[Ugianov] How did you perceive the introduction to the government of new persons, conservatives, as they say?

[Poltoranin] When you read articles about the government, you see how often, 90 percent of the time, perhaps, journalists miss the target. Lazybones, as they say. Too lazy to check out rumors, they often weave bias into their material in order to compromise some people, and to raise up others. It was not at all as has been written. The leadership of the government itself "requested" assistance. This is a united team. Both the new and old members of the government are working for people's benefit.

[Ugianov] Here is a typical letter to ARGUMENTY I FAKTY: "...they have robbed the people." "I am retired. I don't have enough now for my funeral..." and such like. What is the government's anguish over these people? This is the main point of the criticism on the part of the opposition, incidentally.

[Poltoranin] Tremendous anguish. But even if we wanted to rob anyone, we could not. Resources were exhausted, and the CPSU gold was directed into the export of world revolution. We inherited debts running into tens of billions of dollars. What we have, we are sharing out. Prices have risen. But incomes are being computed in a different row of figures also. As soon as any country begins to emerge from a totalitarian system, there is usually a change in the price of its monetary unit. This was the case with Japan. Before people earned 100-120 yen there. And, naturally, food was far cheaper, and then, when the country began to grow into the world economy, earnings reached 300,000-400,000 yen. The same with the Italian lira. The same with the ruble also. When we were kept to wages of the R100-300 level we were unable to properly develop our consumer sectors. We were unable to make, say, high-quality washing machines with very good and, consequently, expensive accessories. No price committee would have permitted the manufacture of washing machines at a price of several thousand rubles given a wage of R150-200. Today, however, not only prices but wages also have been unfrozen.

[Ugianov] There are many semihostile states surrounding Russia. And at this time you are speaking of it as a humane country which is part of all mankind. But people accustomed to living in a great power are becoming convinced that Russia is a weak country and that anyone who is in any way a khan, chairman, or president of a microscopic banana republic could get up to whatever he likes.

[Poltoranin] I would disagree that the Soviet Union was a strong state and that everyone was in fear of it. Remember Afghanistan. Aside from the thousands of destroyed and crippled lives and disgrace and aside from the foreign currency thrown into this bottomless jar, we got out of it nothing. And it was in the Soviet Union that this turmoil began, in Nagornyy Karabakh specifically, we simply could not solve this problem.

But there is another side also. Russia has never taken anything. We have published a digest of archive documents when everyone was wanting into Russia. Internecine wars were being fought. Everywhere, as now. At every step the words: "Take us under your protection, otherwise we will wipe one another out." And Russia did so. Did so to save this nation. Many peoples—Georgians, Ossetians, and others—might not have survived. Now also, when some of them are taking to their heels, once again the same story: fratricidal wars against one another, shooting. They will do some shooting, intimidate one another, indulge themselves, as they say, and then the process of integration will begin once again.

[Ugianov] Let us return to the fact that your ministers are young and do not put a high price on their positions. Perhaps it is not a question of their having done enough in the way of work but of having done some stealing and of their having privatized out-of-town official houses or simply of having bought them with bribes. These are the rumors which are going around. Do you have your own country home?

[Poltoranin] I have a house on a garden plot of six hundredths, which I built with my sons. I am pleased that I built it because I taught my sons how to hold an ax and plane. But I also am aware of these rumors. What can I say? I am sure of the honesty of those whom I know well. I will not vouch for others. You know that the president has created a group for combating corruption in the state authorities, central primarily. Even now this group is "unwinding" certain dealings.[end Poltoranin]

P.S. After the interview with M. Poltoranin had been signed to press, we learned from circles close to the government that the possibility of Mikhail Nikiforovich being appointed leader of Russia's foreign intelligence in place of Ye. Primakov had not been ruled out. M. Poltoranin himself declined to comment on these rumors.

#### Order Names Members of State Committee for Nationalities Policy

934C0073C Moscow FEDERATSIYA in Russian  
No 38, 17-23 Sep 92 p 4

[Order on the composition of the Collegium of the Russian Federation State Committee for Nationalities Policy]

[Text]

Order of 10 September 1992, No 1683-r, City of Moscow, "On the Members of the Collegium of the Russian Federation State Committee for Nationalities Policy"

To confirm Khazhbikar Khakyashevich Bokov, Leokardiya Mikhaylovna Drobizheva, Irina Fedorovna Zalevskaya, Anatoliy Yefimovich Safonov, Anatoliy Yakovlevich Slivu, Petr Petrovich Falk, Lev Dmitrievich Shishov, and Ovsey Irmovich Shkaratan as members of the collegium of the Russian Federation State Committee for Nationalities Policy.

[signed] Ye. Gaydar.

#### Split in Petersburg DPR 'Less Noticeable'

934C0071B St. Petersburg NEVSKOYE VREMENYA in Russian 16 Sep 92 p 2

[Article: "Party Life: DPR: Consensus With Opposition"]

[Text] The report and election conference of the regional organization of the Democratic Party of Russia showed

that the split in the organization, which arose after a group of opposition members joined "the Citizens Union," has not disappeared but has become less noticeable. None of the opposition members has joined the newly elected management of the organization. Nevertheless, an alternative resolution, proposed by their leader Viktor Talanov, was accepted for consideration; moreover, fragments of it were included in the summary document of the conference. Thus, in the Petersburg DPR, an optimal balance of forces has been established.

The organization has stated its intention to cooperate with a broad circle of liberal political groups—from the National-Labor Union to the recently formed Petersburg "Live Ring." Liberals as well as centrists have approved the collection of signatures for conducting a referendum on private ownership of land. All of those present agreed that it was necessary to convene the next, fourth congress of the party no later than the beginning of December.

It is not known whether the congress will be an arbiter between the liberals supporting the Gaydar government and the centrists declaring for "constructive opposition." Much depends on the activity of Moscow conservatives—irreconcilable opponents of the government's course. But recent events in the Petersburg organization show that the schism in the party can be overcome, that coexistence of different points of view, and even of different allegiance to interparty associations (the allegiance of the liberals to "Dem. Russia" and of the centrists to "the Citizens Union") does not exclude the possibility of future cooperation.

K. Ch.

## ECONOMIC & SOCIAL AFFAIRS

**First Quarter 1992 Economic Results for Russia**  
 93A50014A Novosibirsk EKONOMIKA I  
 ORGANIZATSIIA PROMYSHLENNOGO  
 PROIZVODSTVA (EKO) in Russian Nos 6, 7, 1992,  
 pp 26-38, 54-69

[Article in two installments by G.I. Khanin: "Economic Results for Russia in the First Quarter of 1992"]

[No 6, 1992 pp 26-38]

[Text] I want to make this reservation right away: the article deals primarily with the economic situation at the beginning of the year, and the results for the first quarter will be particularly tentative. I have only the Goskomstat [State Committee for Statistics] reports for January and February, and only the report for January contains the relatively detailed data on industrial production output in physical terms, which is what I have used first and foremost. For this reason, the calculations and conclusions are oriented primarily toward the January data and information appearing in the newspaper, which is too general, unfortunately.<sup>1</sup> Unlike my previous surveys in EKO, this one will deal only with Russia. Information on

the economic situation in other countries of the former CIS [sic] is insufficient for any well-grounded analysis.

### About Economic Information Once Again

Analysis of the economic situation in Russia, as previously in the USSR, is complicated by the poor reliability and lateness of the published information. Fundamental changes in this respect did not take place following the communists' removal from power and the announced intention to become integrated in the world economy. The tendency of the communists to camouflage the difficult economic situation with spurious data is understandable. It was hoped that the democrats would energetically undertake to improve the reliability and timeliness of economic information. The aspiration to join international financial organizations and to acquire substantial credits should have prompted them to do this. Will commercial banks and other financial institutions grant credit to an economic entity with an economic balance of questionable authenticity? I am not even mentioning the fact that the International Monetary Fund and the International Bank for Reconstruction and Development frankly demanded that the statistics be put in order.

But the reality after August 1991 has bypassed common sense. Russia's leaders have proved to be incapable of providing reliable statistical data. The Goskomstat's methods of operation, just as its personnel, have remained unchanged. It is even worse with the personnel, apparently: the Russian Goskomstat assumed some of the functions of the USSR Goskomstat, but the skill of its staff employees is the same as it was before.

Just as before, even the information that is available is published in abridged form, and very late. I will not make a comparison with statistics in developed countries. As far back as 200 years ago, the Bank of England was publishing data on the status of principal items in its balance every week. We do not even come up to the level of our own 1920's, when economic information was published much more fully and expeditiously. The balance of the USSR Gosbank [State Bank], for example, was published every week. But the balance of the RSFSR Gosbank as of 1 October 1991 appeared in print only at the beginning of 1992, and it has not been published at all since that time. And even what was published was a sorry sight: only a few entries on assets and liabilities.

The financial statistics situation is no better, either. The situation has even gotten worse here. The budget for the second quarter was published only at the very end of the quarter in extremely abbreviated form, without any indications of what it was based on. Only the most general data, and very conflicting data, moreover, are being cited in the press about its fulfillment. And here we have to recall sadly those same 1920's (not to mention the prerevolutionary years), when detailed reports were issued each month on the budget's implementation with respect to a broad range of income and expenditure entries.

Nothing is clear with respect to the volume of profit, capital investments, and a number of other indicators.

True, there have been certain positive changes. After a lapse of nearly 60 years, reports on the amount of gold mined and the country's gold reserves in recent years appeared in the press. The balance of payments of the USSR and Russia for 1990 were published as well. So "the process is under way," but radical improvement in the reliability of economic information and its timely publication are still a very long way off. Evidently the forces which oppose this are still strong.

#### Production

In order to objectively evaluate the results of production development in the first quarter, let us remind you briefly what the real economic situation was before the emergence of the new Russian Government in November 1992.<sup>2</sup> It was the result of the mechanism of self-destruction which was built in by the administrative-command system. Mistakes during the period of restructuring exacerbated the situation. As a result of this, there was an absolute decline in production which increased in pace beginning in 1989. In a 3-year period (from 1989 to 1991), the total volume of national income, according to my calculations and taking into account the hidden increase in prices, declined by roughly one-third, that is, it compared with its decline in the United States and Germany during the period of capitalism's worst crisis, from 1929 to 1932.

Qualitative changes in the dynamics of the crisis took place in the fourth quarter of 1991. Compared with the same period in 1990, the national income of the CIS states declined by 21 percent, and it declined by 26 percent if we take into account the hidden price rise of 5 percent per year. Taking into account Russia's high proportion in developing national income in the CIS states (roughly two-thirds), and the fact that in the other major CIS countries (Ukraine, Belarus, Kazakhstan), the economic situation that has taken shape is no worse, we could expect the same dynamics of national income to apply in Russia as well. However, data from the Russian Goskomstat show that the 9-percent decline in national income over the preceding 9 months continued in the fourth quarter of 1991. Moreover, this figure is much lower than the overall results for the CIS countries, which is hard to explain. It certainly does not reflect the deterioration in the economic situation in the fourth quarter, which is obvious to everyone. This discrepancy probably may be explained by the fact that data on the substantially expanded economic volume under its supervision has not been reflected yet in its statistics. Evidently, national income in the sector not under its supervision previously (part of the heavy and defense industry, foreign trade) declined much more sharply than in the sector under its supervision. For this reason, the data on the dynamics of national income in the fourth quarter of 1991 for the CIS countries as a whole are more acceptable.

This unprecedented production decline was the result of the complete paralysis of government administration following the failure of the August coup and the disintegration of the USSR.

After the attempted coup in August, when the Russian leadership assumed responsibility for administration of the entire economic system in Russian territory, Russia's procrastination in restoring order in this sphere was intolerable, in my view. Formation of the new government was drawn out for several months, and urgent steps were not taken to stabilize economic ties, to speed up grain procurement (by direct exchange of manufactured goods for it), and to obtain emergency assistance from abroad (in exchange for the sale of the Southern Kurile Islands to Japan, let us say).

The economic crisis of 1988-1991 in the USSR was marked by the pronounced crisis of underproduction reminiscent of crises during the war, with the overall decrease in volumes, destruction of the production base, the decline in the people's standard of living, and the breakdown of the financial and credit system. The country's gold reserves have been almost completely exhausted over the past 2 or 3 years. At the end of 1991, payments on the foreign debt practically came to an end. The situation was roughly the same in Russia during the transition to the NEP [New Economic Policy], as well as in a number of European countries after the end of each of the world wars.

The new Russian Government was faced with the task of slowing down the economic recession and stabilizing monetary circulation. It was completely unrealistic to expect an upswing in production, of course: the locomotive of disintegration cannot be stopped all at once. Even a modest decline in the recession would be a huge success.

But such a possibility really existed. There was a slight decrease in manpower and material resources during the crisis. The problems were related to the shortage of foreign exchange, which led to curtailment of imports of raw material, semimanufactures, and equipment. But we could expect broad assistance from the West here. And it really was provided: new credits were granted, and what was most important, the terms for payment of part of the debts and the interest on them were deferred. We could also expect substantial gain from curtailment of the excessively inflated expenditures to purchase military equipment (under its budget for the first quarter of 1991, the government had reduced them substantially; the exact amounts reduced are not entirely clear, however) and from the sale of fuel and raw material to countries which were formerly part of the USSR at world prices. Once again, referring to the postwar restoration of the economy, I recall that a slowdown in the recession and a certain upsurge began then almost immediately after the war. But a true upsurge took place 3 to 4 years after the war ended, when the world economy and the domestic

system was stabilized. An important role was played by the conversion, which took 1 to 2 years after both world wars.

The government's intentions coincided with the possible course of economic development which has been described. A decline of 8 to 10 percent in the gross national product and 10 to 12 percent in industrial production was forecast for 1992; even taking into account a possible hidden increase in wholesale prices here, this indicated a substantial slowdown in the production decline (close to the extent of decline in certain European and Latin American countries as the result of measures to stabilize the monetary system).

Let us begin an assessment of the actual change in production with industry. The largest sector here is machine building, where 43 percent of all those working in industry were employed in 1990. With respect to January 1991, the production decline varied in extent for individual types of civilian machine building output: from a relatively small decline for cultural and personal items (production of cameras and knitting machines even increased) to a huge decrease (60 percent) for tractors, grain harvesting combines, and road graders. Unfortunately, we know nothing specific about changes in the production of military equipment.

We can make a judgment about the extent of decline in the sector as a whole by three indicators: production of the principal structural material in machine building—rolled ferrous metals, the output of alternating-current electric motors, and the production of bearings. In comparing their output with the dynamics of all machine building production, I came to the conclusion that they are almost identical (the appropriate calculations are cited in my articles, including in EKO). True, we need to take the availability of reserves into account. But as far as electric motors and bearings are concerned, they are minor, since enterprises are operating with these products "when they are obtainable," judging by press reports. There are substantial reserves of rolled ferrous metals, and a difference between the dynamics of rolled metal production and the dynamics of machine building production is possible in the short term here. But without electric motors and bearings, even when rolled metal is available, no machine building products can be turned out.

In January, the production of rolled ferrous metals dropped by 31 percent, output of alternating-current electric motors with a pivot of 63 to 355 millimeters (the January summary only provides information on this type in widest use) decreased by 50 percent, and production of bearings dropped by 24 percent. Based on these data, we can confidently estimate a decline of 30 percent in machine building production. Taking into account the total number of persons employed in machine building, this alone indicates a cutback of 12.9 percent in all industrial production.

Compared with other sectors, the recession in the fuel and power engineering industry turned out to be very modest. If official data are to be believed, production of electric power dropped by only 1 percent, and gas production dropped by 0.7 percent. There was a sizable cutback in oil production (15 percent) and coal (12 percent). I have doubts about the data on the dynamics of electric power production, since they are not in keeping with the production dynamics of a fuel which provides for the needs of our largest heat and power engineering facilities (even when the cutback in oil exports is taken into account) and the sectors which are power engineering consumers. All the same, if we proceed from these data, the production decline for the entire fuel and power engineering complex amounts to 7 to 8 percent.

The decline in the chemical and timber industry complex proved to be substantial. Production of sulfuric acid dropped by 22 percent, mineral fertilizers by 25 percent, chemical fibers and filaments by 26 percent, soda ash by 35 percent, and sodium hydroxide by 53 percent. The production decline in the timber and paper and pulp industry is shown by the decrease of 17 percent in lumber production, 19 percent in commercial cellulose output, 19 percent in paper production, and 23 percent in cardboard output. Obviously, a production decline of 20 percent in this complex is the lowest possible estimate.

The decrease in the production of building materials was less than in industry as a whole: 11 percent less cement was produced and brick output was 15 percent lower. The decline was even more modest for some building materials: 2 percent for slate and 3 percent for window glass. The decline in this sector as a whole may be estimated at 10 percent.

There was a substantial decline in light industry. The extent of it is shown by figures for the principal types of products: cotton fabric output dropped by 12 percent, wool fabric by 23 percent, silk fabric by 24 percent, hosiery by 33 percent, knitted wear by 32 percent, and footwear by 37 percent. It is obvious that a decrease of 25 percent for the entire sector is a minimum estimate.

It is difficult to determine production dynamics in the food industry. Data are not provided in the January summary on the output of the most important types of foodstuffs; there is no information on the production of sugar, bakery goods, confectionery, or groats. The decline was apparently minor for a number of products, such as bakery goods, for example. But problems are also increasing here. The production of flour from state grain dropped by 11 percent, and this is soon to lead to a decrease in bread production. Sugar production dropped very sharply in the first quarter. Although the sugar refining season was not yet over at the beginning of the year, according to press reports, only four of the 94 sugar mills in Russia were in operation. Production of meat declined by 40 percent and whole milk products by 42

percent.<sup>3</sup> Canned meat production dropped by 25 percent, canned dairy products by 45 percent, margarine products by 30 percent, and vegetable oil by 14 percent. There was a pronounced decrease in the production of cleaning agents: 34 percent for toilet soap, 27 percent for laundry soap, and 37 percent for synthetic detergents. Based on the figures cited, the production decline in the food industry may be estimated at 25 percent.

Now we have the data needed to determine the approximate decline in industrial production. Taking into account the number of persons employed in individual sectors as a balance, the overall decline amounts to 24.3 percent. And this, I point out, is still the minimum. Meanwhile, the Russian Goskomstat estimates the production decline at only 14.1 percent.<sup>4</sup> We have a gap of 9.1 percentage points stemming from the increase in wholesale prices, which is not taken into account.

The dynamics of agricultural production in the first quarter were determined practically entirely by the dynamics of livestock breeding output. This is based on the output of finished products and changes in weight of available livestock. It is easiest of all to determine the dynamics of finished output this year. Purchases of livestock and poultry (live weight) decreased by 33 percent and purchases of milk decreased by 28 percent in January. Purchases of eggs decreased by 19 percent as well. Taking into account the proportion of individual types of animal products in the overall cost of their procurement in the USSR as a whole in 1990 (it is unlikely that the data for Russia are substantially different), the finished output of these three items, which cover nearly all the finished output of animal products, decreased by 30.5 percent.<sup>5</sup> And this is a minimum estimate: there is no question that the weight of livestock declined in the first quarter. The data attest to a substantial cutback in the number of all types of livestock in January 1992. Livestock weight decreased because of the shortage of fodder as well, of course. However, I am finding it difficult to determine the extent to which this factor has an effect on livestock production because of insufficient data.

It is hard to determine the extent to which the products used in construction have been cut back. Firsthand data are available only for the 10-percent decrease in housing commissioned. However, the total extent of the reduction will turn out to be much greater. This magnitude may be determined very generally from the production dynamics of three basic materials used in construction: rolled ferrous metals (reduced by 30 percent), lumber (by 17 percent), and building materials (by 10 percent). Taking into account the proportion of each of these three sectors in the material outlays for construction, the overall index for construction output should be reduced by 15.6 percent. However, the shortage of rolled ferrous metals and metal structures—the most critical factor in the supply of materials for construction—will have the most important effect on the dynamics of building operations. Budgetary expenditures and allocations from enterprises' profit for construction have been sharply

curtailed. For this reason, we can assume that the minimum estimate of the decline in construction work as a whole is 20 percent.

I consider it possible to agree with the overall estimate by Goskomstat on the dynamics of transport (a decline of 19 percent), although even here there may be some understatement of the actual decline.

Finally, the dynamics of retail trade turnover (most of the workers in this sector are employed in it), which amounted to 48 percent of the previous year's level during January and February, may be used to determine the dynamics of trade output, procurement, and material and technical supply. Taking into account the dynamics of trade turnover in February, more typical of the situation in the sector, which was almost boycotted by the public in January, the decline for the entire quarter was 40 percent. Though there was less of a decline in other subsectors (procurement, foreign trade, and material and technical supply). But on the other hand, there is every reason to assume (this will be mentioned later) that the Russian Goskomstat is understating the actual decline in retail trade turnover.

Now we have all the data needed to determine the dynamics of the gross national product for the first quarter. By considering the extent of decline by sectors and taking into account the number employed in them (the data for the USSR in 1990, before Russia assumed responsibility for the entire economy, when the published figures on employment did not reflect reality), we obtain a decline of 26.8 percent in the gross national product. This is a minimum estimate. We will make only two corrections in the extent of the decline: five points more for agriculture and 10 points more for construction. This will increase the extent to which the gross national product has declined to 29.3 percent.

In order to determine the dynamics of national income, we need to know the dynamics of the materials consumption of production. During the years of stagnation, it increased by an average 1 percent annually, according to my calculations. At the end of the 1980's the increase amounted to 5 percent, according to the same calculations. However, I am prepared to acknowledge that this increase reflected upward distortions in the extractive industry to a certain extent, and especially the failure to take all the exports into account; judging from press reports, export illegalities increased sharply at the end of the 12th Five-Year Plan. But the huge increase in the underutilization of production capacities in the first quarter contributed objectively to the increase in the materials consumption of production. The premises for production, as an example, must be heated and lighted even when production is discontinued. The increase of 3 percent in the materials consumption of production in the first quarter may be considered a minimum estimate, where the decline in national income amounts to 30 to 32 percent; taking the Goskomstat data on the decline in national income for the entire first quarter into account,

the decline amounts to 29 to 31 percent, and the average daily decline in production amounts to 30 to 32 percent.

The calculated dynamics of national income cited are confirmed by a very rough estimate of the dynamics of the national income used. Its principal components—personal consumption, production accumulation, military expenditures, and exports—were reduced by a minimum of 30 percent.

In determining the dynamics of national income and the economic situation in general, we cannot overlook saturation of the consumer market and the change in product quality. It is obvious that saturation of the legal consumer market increased substantially after prices were liberalized. This cannot be said of the entire consumer market, since nearly all the items now available for open sale could be acquired previously by overpaying. At the same time, the provision of goods through trade 3 months after prices were liberalized is not only far from the level of Western and most East European countries in the postcommunist era, but from the situation existing in Russia in the 1960's and 1970's. The shortage of certain commodities was even intensified in a number of regions by the end of the first quarter. Nevertheless, there is general improvement. Quality is another matter: there have been numerous reports of deterioration in the quality of food products, for example, and service has become worse in commerce and public dining.

Academician O. Bogomolov proposed that elimination of the commodity shortage be assessed at 15 percentage points of the dynamics of national income. If we had been guided by this estimate, the decline in national income could have been reduced then by 2 percentage points—to 28 to 30 percent.

There was a substantial decline in production efficiency in the first quarter. Understatement of materials consumption has already been mentioned. Utilization of production capacities declined sharply. It even dropped by 25 to 27 percentage points. But the substantial decline in labor productivity was completely unusual. There was a minor decline in the number of persons employed in physical production. Though the official data on the extent of employment and unemployment do not reflect the actual state of affairs. Business managers (as well as employees) prefer shifting to a short work week and putting people on open-ended and temporary leave to complete dismissal. Nevertheless, it is doubtful employment declined by more than 4 to 5 percent. And this means that labor productivity dropped by more than 20 percent. Taking into account its decline by roughly 25 percent in previous years, it follows that we arrive at 45 to 50 percent. Let us compare this decline with the change in labor productivity during capitalism's economic crises. During the crisis of 1929-1932, employment dropped by 40 percent when there was a production decline of 47 percent in the United States' processing industry; consequently, annual productivity decreased by only 9 percent, but hourly productivity

apparently did not drop at all because of the reduced productivity of the work week.<sup>9</sup>

The structural changes inherent in economic crises did not take place. Many of the old defects of the Russian economy (the high proportion of agriculture and the extractive industry, Group A, employment for manual labor and work with little mechanization, and the low proportion of science-intensive production facilities, Group B, and foreign trade) not only have been retained, but have become even more pronounced. The production decline in the extractive industry turned out to be much less pronounced than in the processing industry; it was less pronounced in Group A than in Group B, and mechanization of manual labor was curtailed because of the shortage of capital investments. The trend of a more rapid decline in the production of high-tech output which had taken shape over the previous 2 to 3 years was continued. Thus, the output of ChPU [numerically controlled] machine tools was cut back by 65 percent in January (production of machine tools was cut back by 33 percent). In a broader sense, the economy in recent years has evidently been returning to a lower level of technology and organization.

The economic crisis in 1992, unlike those in previous years, is not only a crisis of underproduction (in the fuel industry, ferrous metallurgy, the timber industry, and so forth), but a crisis of overproduction for a number of sectors. The latter includes all of Group B, construction, and certain machine building sectors (the defense industry and agricultural machine building, for example). The crisis of overproduction is being kept in check at present by the work to provide storage and deliver products without payment and the vast system of non-payments which is inconceivable for a market economy. However, the opportunities to support production in these sectors, even at the current volumes, are rapidly disappearing because of the instability of such a system. For this reason, in the second quarter we must expect a sharp decrease in production volume in a number of sectors where the amount of production decline is less than the amount of their product sales.

The Russian crisis of overproduction in 1992 is vastly different from the classic crisis. First of all, it is taking place at the same time as the continuing crisis of underproduction. Secondly, they differ in nature. The classic crises of overproduction have taken place after a period of rapid upswing in the economy as a whole, and especially in investments. Our crisis was preceded by many years of stagnation and finally, by the production decline over the past 3 years. There was no increase in investments, and they also declined over the past 3 years. Thirdly, the crisis struck consumer goods output instead of investment commodities. Fourthly, it is being accompanied by an increase in prices, not a decrease. This increase (and enterprises' nonpayments to each other, as well as to their personnel, the banks, and the budget) makes it possible to maintain employment and stocks despite the substantial decline in sales.

The prospects for development of the economy over the next two to three quarters are not favorable. There is a great deal of danger in the payments crisis, which can lead to intensification of the production and employment recession in a number of sectors. A very dangerous situation is taking shape in agriculture. In recent years there has been a rapid decrease (20 to 30 percent or more) in the number of seeding machines, cultivators, harvesters, and transport machinery.<sup>7</sup> The nearly complete discontinuation of purchases in 1992, as well as the shortage of fuel and lubricants, spare parts, mineral fertilizers, and herbicides will inevitably lead to a sharp reduction of the area sown and harvested and the yield of agricultural crops. In connection with the disparity between the prices for manufactured goods and agricultural products, the marketability of agricultural output, especially state purchases, will be reduced even further. The decrease in the number of livestock and the cutback in fodder production will lead to a further decrease in livestock breeding output. The reorganization resulting from the change in the forms of ownership will also have an unfavorable effect on the production of agricultural output.

Another terrible danger is associated with the fuel and power engineering sector. In recent years, the difficulties have increased here because of the overall disorganization of the economy, deterioration of the conditions for extraction, and the shortage of capital investments, even to maintain the previous volume of production. The lack of capital investments last year, when they were cut back by roughly one-half in this sector, was particularly severe. This had a substantial effect on the decline in oil and coal production and the increase in gas production was suspended. Because the increase in prices for fuel lagged behind the increase in wages and the prices for materials and investment commodities in the first quarter of 1992, production capital investments were cut back further, obviously. This circumstance is inevitably leading to an even greater production decline in the fuel sector, almost complete discontinuation of legal petroleum exports, and curtailment of its domestic consumption. The exportation and domestic consumption of coal, gas, and electric power will be cut back as well. All this will sharply impair Russia's balance of payments situation, which is desperate as it is, and have an unfavorable effect on the production volume of fuel and electric power and supplies provided for the public. The production situation in the first quarter compels us to draw the conclusion that the economic recession has intensified and that there is no end to it in sight at present. If we take into account the production decline in the preceding years, we are talking about a production decline, unprecedented in history during peacetime, on the order of 50 to 60 percent (though something similar is taking place in Albania). As a result, the absolute level of Russia's national income has been rolled back to indicators in the mid-1950's, that is, 35 to 37 years ago. After taking its first steps into the postindustrial era in the 1970's and

1980's, the country has begun to lose even its achievements in the industrial period and it is even shifting here and there to the methods of a preindustrial economic system.

#### The Living Standard

Before analyzing the standard of living in the first quarter, it is appropriate to point out that it was very low even before this. According to assessments by a number of scientists (A. Zaychenko, for example), the USSR was in the seventh group of 10 countries in its living standard in the mid-1980's. I think there is some exaggeration here. But even simple observation of life in the Western world enables us to speak with confidence about the fifth group of 10. But after all, the living standard dropped for 3 years after this, from 1989 to 1991, and consequently, the people of the USSR were dropped several rungs lower. Obviously, we are not indifferent about the level where the decline begins. With a higher living standard, there may be no mention of giving up the most essential items. As an example, in the United States in the 1928-1932 period, the decline in food consumption was minor; they primarily gave up nonfood commodities, especially durable goods such as automobiles. Although part of the population was on the brink of starvation then, too.

Let us begin an assessment of the living standard from the people's real incomes, which are determined by the correlation between the dynamics of prices and incomes.

Let us narrow the problem down somewhat by limiting ourselves to its principal part—the monetary incomes of the urban population, setting aside the incomes of rural residents, about whom very little is known.

With respect to monetary incomes, there are no particular problems with the statistics; we can rely upon a sufficiently reliable base here (I am referring to incomes as a whole, since the state of affairs is much worse with the incomes of individuals and social groups affected by the shadow economy). The situation in the area of price changes is much more difficult. This sphere has always been a weak spot in Soviet statistics, but its last "achievement"—the price index for January 1992—has amazed even the Russians who have become accustomed to everything.

After seeing with my own eyes that the price handbooks in the state stores have adorned many commodities with additional zeros, it was hard to believe the assurances of the Russian Goskomstat that the prices were increased by only 3.5 times as much over those in December 1991, including four times as much for food products and 2.5 times as much for nonfood products. The weekly KOMMERSANT (No. 5), which has its own service for recording and calculating the price index, put the price increase in January at 5.6 times as much.

The overall index could not be compared to the price increase for the commodities with the highest prices, of course. It should be kept in mind that some prices were

liberalized after Pavlov's reform in April 1991. In January the prices for potatoes, vegetables, and fruits, which were being sold at free prices even before, were increased much less than the average. A limit on their increase was set (three times as much, on average) for some food products. Moreover, a substantial proportion of the products were really being sold to the public not at the state prices, but at free market prices—in the personal property market, in commercial stores, and "by using connections," inasmuch as they were practically unavailable in stores.

Let us not forget about the kolkhoz market, with its free prices. All the same, bearing in mind everything that has been said, it is apparent without any special calculations that the announced price increase was understated. After all, there are quite a few products (especially outside Moscow) which were being distributed at state prices with coupons before January. Thus, in Novosibirsk's Akademgorodok, where I live, this system has not been working badly.

For a long time, the mechanism which obviously distorted the price index was unclear to me. The secret of the next "miracle" of Russian statistics was revealed in March by Ye. Gontmakher, chief of the Living Standard and Public Incomes Administration of the Russian Goskomtrud [State Committee for Labor and Social Problems], in ROSSIYSKAYA GAZETA (11 March). So that what follows is clear, I will explain that the price index (like other indexes) may be determined by using either a base period or the current period as a balance. The theory of statistics does not give preference to either of these balances and they provide results that are sufficiently close for short periods of time. Russian statistics has traditionally made use of the current period as a balance, and there was nothing wrong with this. But in January 1992, there was a real price collapse which created a situation that was unique. Everyone will recall that the people simply boycotted the most expensive goods at that time, and often 80 to 90 percent of them were not sold out. Naturally, their share of retail sales fell sharply, and when the index was calculated by the traditional method, the huge increase in prices had a minor effect on these commodities. What did we have to do to obtain an objective picture? Shift to the method of determining prices with a balance in a base period. We could have chosen the norms for consumption of TNP [consumer goods] as a balance. But the increase in prices which the Russian Goskomstat employees and the consumers of their product calculated suited them completely. In comparing the price index calculated by the weekly KOMMERSANT with an index based on a comparison of the national income index in current and constant prices (in accordance with an alternative assessment), it may be noted that the KOMMERSANT price index has been overestimated. A true price index is evidently halfway between the ones calculated by the Russian Goskomstat and the weekly KOMMERSANT, and probably amount to 4.5 times as much.

But even when we use the clearly underestimated official data, according to the Russian Goskomstat's assessment, there was a tremendous decline in the public's real incomes (40 percent) in January 1992, as compared with December 1991. But if the dynamics of real public incomes are calculated by taking into account the more precise price index of 4.5 times as much, I think, it will turn out that they decreased by more than half. There was some increase in real incomes in the subsequent months of the first quarter. In February, monetary incomes rose by 46 percent, while the retail price index for goods and services came to 38 percent. The KOMMERSANT price index coincided with the Goskomstat price index in January. Real incomes increased by 6 percent in February.

The same increase apparently took place in March. So the decline in real incomes in the first quarter as a whole may be estimated at 40 percent. It was still a tremendous increase, unparalleled not only in peacetime, but even in the first months of the Great Patriotic War.

The level of the current consumption of material wealth, however, has been determined not only by the opportunities to purchase goods and services with monetary incomes and savings, but the status of the public's reserve commodity stocks. On the threshold of the price liberalization announced at the end of October, the public had accumulated considerable reserve stocks (for a number of food products, there were enough for consumption over 1.5 to 2 months). For this reason, the approximate analysis conducted by the Russian Goskomstat in 16 territories showed that the consumption of milk and dairy products dropped by 24 percent, fruits and berries fell by 12 percent, meat and meat products fell by 14 percent, and vegetables and melons dropped by 7 percent in workers' and employees' families in January, compared with December 1991. As we see although the consumption of food products declined significantly, it did not deline as sharply as the public's real incomes. Purchases of less essential nonfood products declined the most with the price liberalization. Thus, in January the public purchased one-fourth as many cotton fabrics as in December 1991; there were 2.6 to 2.9 times fewer purchases of wool and silk fabrics, clothing, and underwear, knitted goods, and hosiery, and purchases of soap, synthetic detergents, and radio receivers declined by 38 to 45 percent.

Because the demand for nonfood commodities declined more rapidly than demand for food products, the proportion of expenses for food rose from 34 percent in December 1991 to 47 percent in January 1992 in workers' and employees' families—a trend that is characteristic of periods of sharp deterioration in the living standard (prices for food rose faster probably because of inaccuracy in the Goskomstat calculations). However, because of the large stocks of food, January does not reflect the changes in the consumption pattern. In subsequent months this proportion undoubtedly increased even more: in February, when the public still had substantial stocks, food accounted for 50 percent of all

families' expenses (it was even higher for the families of workers and employees). At the same time, the calorie content of the daily food ration, according to the Russian Goskomstat, decreased by 20 percent, including 25 percent for animal products. Two-thirds of the energy supply in the food selection, according to the Goskomstat, is provided by consuming bakery products, potatoes, and sugar, that is, there has been a decline in the quality of the food pattern. Though the famine which many people had feared (I as well) has not taken place, fortunately.

But let us not forget the reason for this: the needs of the urban population, the Army, and regions with industrial crops were met almost entirely after the first of the year by imported grain. And it is meeting a larg proportion of livestock fodder requirements.

The consumption of nonfood products has declined much more than consumption of food products. Most of the adult population will be able to hold out for some time (several years, possibly) with the old supplies of clothing, footwear, furniture, and consumer goods. But in 2 or 3 years, even sooner for many people, they will begin wearing out, and they will have to do without the customary everyday items because of the high prices. The day is not far off when some of the people's televisions will be turned off and they will not be able to purchase new refrigerators (the price of a two-compartment refrigerator has risen by 36 times as much over the past year), or washing machines and other consumer goods. A similar fate can be expected by the owners of automobiles—they cost hundreds of thousands now, and are unavailable for most of the public.

There has been a serious deterioration in the public's health and educational services. According to the assessment by Russian People's Deputy P. Rakov, obviously relying upon official sources, the proportion of expenditures for public health in 1992 will come to 1.6 percent of the gross national product instead of the 3.4 percent in 1991. It is unnecessary to speak about the deplorable situation in secondary, secondary specialized, and higher education. The low salaries for teachers and instructors in tekhnikums and VUZ's [higher educational institutions] attest to this quite clearly. But if we remind you of the decline in the volume of housing construction, which does not compensate for those who must leave housing, as well as the fact that the mortality rate exceeds the birth rate for the first time since the war because of the worsening living conditions and the status of health care, the picture of the people's living conditions in the first quarter will become quite clear.

However, the problem of the living standard is not exhausted by the average indicators. It is important to differentiate the living standard for individual social groups. It is obvious that an overall decrease in it will not have an identical effect on the lives of people with different incomes: it is easier when there is less differentiation and harder when there is more differentiation. In the first case, the burdens of a decline affect all sections

of the public equally; in the second case, it mainly affects those who are less well-off. It was established long ago that the people endure the burdens of life more easily when incomes are distributed more evenly than when there is greater differentiation, and when the poverty of some exists side by side with the luxury of others.

Differentiation of incomes in Soviet society never conformed officially to the differentiation made by the presence of a shadow economy, which grew steadily in the 1970's and 1980's. However, over the past 2 to 3 years, the opportunity for those engaged in the shadow economy and some persons employed in the legal economy to enrich themselves has increased substantially. According to my rough estimates, which are intuitive to a certain extent, several million persons are deriving incomes from the new commercial activity. If it is taken into account that their income is about 10 times higher than the average for the national economy and that most of it goes for consumption and not for production accumulation (the funds invested in the business make up a large part of the incomes), those employed in new commercial structures (including privatized state property) and those sustained around them and by them make up roughly 15 to 25 percent of all personal consumption, if not more, and together with those engaged in the old shadow economy, this figure may increase to 25 to 35 percent or more. It is doubtful that the level of consumption of this section of the population decreased substantially even after the price liberalization. It is most likely that their investments in nonproduction accumulation were reduced. So the main burden of the decline in monetary incomes has been carried by those employed in the old structures, where the real decline was not 40 percent, but 50 percent or more, let us say. It is difficult to determine the change in real incomes with more precision, because some of the people are working in both the old and the new structures at the same time.

In light of what has been said about the decline in the overall living standard in the first quarter and increased differentiation of incomes in recent years, the assessments of the Russian Goskomstat that 93 percent of the people now have an income below the subsistence level and 50 percent have an income below the physiological minimum, that is, they are destitute, although they are not starving yet, are close to what is reality.

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[Text]

#### Foreign Economic Relations and the Currency Situation

Last year was not a favorable one for the foreign economic relations of Russia or the countries of the former USSR as a whole. Russia's legal exports declined by almost one-third as much, and imports dropped by nearly one-half. As a consequence of inadequate earnings from legal exports and gold reserves, even taking into account the receipt of new loans to pay off the old ones. Though Russia, unlike the USSR, had a substantial positive balance for current operations, it was used to

finance the importation of goods by other republics. As a result, production declined because of the huge dependence on imports by many sectors of the Russian economy.

It seemed that the conditions existed in 1992 for substantial improvement in Russia's foreign economic situation. First of all, for a major increase in exports. This was to be helped by a change in the ruble's official exchange rate against the dollar: from 60 kopecks at the official rate and 1 ruble 70 kopecks at the market rate to 90 to 100 rubles [R] at the market rate and R50 to 55 at the commercial rate, which was to substantially increase the advantage of exports and reduce the profitability of imports at the same time. Though the retention of export quotas created obstacles to their expansion, but it does not seem to me that the quantities were so restrictive, all the same. Important opportunities for expanding exports were made possible by the decrease in domestic demand as the result of the program to stabilize the economy. Resources were released for exports and consumer goods, for raw material, and for investment commodities. And experience shows that buyers can be found in the world market even for many Soviet investment and consumer commodities, even at reduced prices. The prospects offered by the conversion of military production are especially notable. While it has been hard to have confidence that military enterprises would be restructured rapidly to turn out civilian products, at least large amounts of valuable raw material (especially non-ferrous and rare metals) were to be released and imports for the defense industry were to be discontinued. Finally, it is no longer necessary to finance the imports of other republics.

The expansion of exports and the reduction of imports were counteracted by the liberalization of prices in Russia, but even after January the prices for the most important Russian exports remained lower than world prices (in terms of the market and commercial exchange rates of the ruble, not to mention the rate in currency exchanges). We could also hope for an increase in foreign investments in Russia after the communists were removed from power.

The results of the first quarter in foreign economic relations turned out to be even more discouraging than in other areas of the Russian economy. According to the latest data, exports in the first quarter added up to \$7 billion, and the volume foreseen for the entire year is on the order of \$49.4 billion, which is 20 percent less than the same period last year. Even if we exclude the low figures for January, which were not characteristic, according to the government, exports in February and March amounted to a little over \$3 billion per month, which make it possible to provide for the exportation of goods valued at only \$36 billion for the entire year. There were cutbacks in basic export items such as oil (by 37 percent in January and February), petroleum products (by 45 percent), hard coal (by 44 percent), lumber (by 58 percent), and cast iron (by 61 percent), which is completely absurd from the standpoint of common

sense. The 30-percent decline in national income was to lead to a major decrease in the domestic demand for fuel (including the demand by other CIS countries, where national income was reduced by roughly the same extent, according to my estimates) and to the release of large amounts of resources for exportation. The resources released consisted of tens of millions of metric tons of oil and coal, many billion cubic meters of gas and billions of kilowatt-hours of electric power, and lumber, for which domestic demand is also sharply declining. There is one of two possibilities: either our economic managers have lost their perception of reality or (more likely), they are exporting a larger and larger amount of the resources through illegal channels and stepping up the exportation of capital from Russia even further.

But imports, unlike last year, have increased by 15 percent. The commodity pattern of imports this year has not been published yet, but apparently most of them are oriented toward consumer goods (including grain) and medicines, with a decline in the importation of materials and equipment. So the negative effect on production of the extent to which goods are imported is continuing, although on a much smaller scale than last year.

The correlation between imports and exports has become worse because their dynamics are so different. Instead of last year's sizable positive balance (\$9.1 billion), we now have a negative balance (\$2.2 billion in the first quarter alone), and the balance of payments for current operations, even in the government's projections for the entire year, are turning out to be negative (\$6.6 billion instead of the \$4.6 billion last year). In fact, because of the reduction of exports, the negative balance in current operations will prove to be substantially more than planned. Supposedly, Russia is not obligated to finance the importation of goods by other republics now, but I do not believe Russia will not allocate currency for these purposes, even if it is much less than in previous years.

The insignificant investments of foreign capital in the Russian economy have been the most regrettable aspects of Russia's foreign economic situation. Data from the weekly KOMMERSANT indicate they are measured in millions of dollars (roughly a half million per week). Strictly speaking, this fact alone is sufficient to give a negative assessment of the Russian Government's economic policy after August 1991: foreign capital's assessment of the situation in the country concerns both its economic and its social policy. The insignificant amounts of foreign capital imported in Russia simply rule out any hopes for its economic revival, for our own sources of it are really only adequate to reach the level of economic development in the late 1980's. The government sources of foreign capital, at best, enable the people of Russia to survive, no more.

An important feature has appeared in Russia's foreign economic relations over the past 2 years.

While in the past they increased the resources of the Russian economy unconditionally, even if only for a time, over the past 2 years there has been a disorganized drain of capital to other countries at the same time that there has been an influx of capital in the form of loans and foreign investments, for the first time in the Soviet economy. Considerable opportunities for such a drain were provided by the liberalization of foreign economic relations. Many of the new participants in foreign economic activity and some of the old participants preferred to leave part of their earnings from exports abroad, in the accounts of Soviet and foreign commercial banks. The flight of illegal exports and imports from the country has been tremendous. According to estimates by the International Financial Institute, about \$20 billion were deposited abroad by natural and juridical persons in Russia in 1991 alone, while credits valued at \$6.5 billion were received in Russia this year. So now it is not the West that has extended credit to Russia—Russia has extended it to the West. At the same time, the flight of capital from Russia attests to the unfavorable political and economic conditions for its utilization within the country.

Foreign economic relations have continued to play the role of a means of pumping wealth out of Russia this year as well. There have been repeated attempts to calculate the extent of this extortion in our press lately. I will also attempt to do this, being fully aware of the inaccuracy of such a calculation. To begin with, we can take the outflow of capital from Russia in 1991—about \$2 billion. Most of this sum was acquired from the excess of illegal exports over illegal imports. I do not think that the party's gold amounts to more than several billion dollars here. Then this excess is narrowed down to \$15 billion, let us say. However, this estimate may be increased because of the following: according to a well-grounded guess by V. Manevich (ROSSIYSKAYA GAZETA, 29 April 1992) which is supported by a number of fragmentary reports in the press on the results of specific transactions, our goods are being sold through illegal exports at prices which are half as much as world prices because of the limited experience of the new businessmen, so the real extent of the excess adds up to \$30 billion in world prices. If we add the understated results of the sales of legal exports as a consequence of the same inexperience or as the result of bribes received by officials just for one-third of the value of the exports (\$50 billion last year), then the total amount of wealth pumped out of Russia in 1991 is increased to \$47 billion. Translated into domestic prices at the minimum rate of exchange last year of R10 per dollar, the losses reach R470 billion—roughly 36 percent of the gross national product [GNP] (the GNP of CIS countries last year was over R2 trillion, and Russia's GNP was roughly R1.3 trillion). Calculation in dollars provides different results. For a starting point let us take the GNP in 1988, the last year before the crisis began—\$4.8 trillion. In the USSR, according to the most trustworthy calculations, it amounted to 25 percent of the level in the United States.

or \$1.2 trillion. The share of the RSFSR may be estimated at two-thirds, so in Russia it was \$800 billion. From 1989 to 1991, it was reduced by one-third, adding up to \$524 billion. Consequently, the outflow of capital will be 9 percent. However, this estimate will be understated substantially, in my opinion, inasmuch as the goods exported by Russia have a much greater value than those that are not being exported. The real evaluation will be between these two. The answer to the question of how domestic enterprises are paid when these illegal exports are included in their output (a smaller part of it comes from illegal production, I think) is rather obvious: because of the differences in world and domestic prices, it is possible not only to pay this sum, but to retain a substantial profit in rubles. Assume the illegal imports are valued at \$10 billion, for example. In domestic prices, taking into account the selection of goods today, this may come up to R500 billion (calculating the prices at R50 per dollar). Most of it goes to the collectives of enterprises which ship their products for export. If any commercial structures are paying an overstated price in rubles for the exporters' products, under today's almost complete lack of supervision it is entirely possible that the exporters keep a financial balance in rubles. As shown by the data already cited on the much larger reduction of exports compared with imports, the outflow of funds to other countries was stepped up in the first quarter of this year. At the same time, apparently, the domestic structure of illegal exports was changed. Because of the sharp increase in the price of many consumer items, their export was sharply curtailed. But to make up for it, the illegal exports of raw material increased even more. Taking into account the decrease in the GNP this year, even with the previous volume of capital outflow, its proportion with respect to the annual GNP will amount to 58 percent in rubles and 13 percent in dollars.

Based on the \$11 billion in credits promised for this year, they will not exceed last year's level in the first quarter—\$2.7 billion. Russia has not repaid its credits at all this year, and the amount of interest paid was much less than what was planned. Nevertheless, because of the large negative balance for current operations, the gold reserves continued to decline rapidly. The gold reserves of the CIS countries, which are concentrated in Russia as before, dropped from 245 metric tons as of 1 January 1992 to 168 metric tons by the end of April.\* So they have been reduced by 80 metric tons in one-third of the year. If this is the way the balance of payments will be handled for the remainder of the year, the gold reserve will disappear altogether in Russia. The foreign currency reserves in Russia's Central Bank, Vneshekonombank [Bank for Foreign Economic Activity], and Vneshtorgbank [Foreign Trade Bank] are extremely small as well. It is obvious that in such a situation it becomes urgently necessary to have a major reduction of imports, which will have an extremely unfavorable effect on Russia's economic situation, which is difficult as it is.

It seems to me that the hopes of receiving foreign financial aid as the result of Russia's joining the International Monetary Fund and other international financial organizations are clearly exaggerated. The figure of \$24 billion often mentioned does not apply to new financial resources at all. It includes the old credits and deferment of the payment of old debts. Moreover, the specific conditions and the amount and purpose of the aid are subject to further study and may be reduced entirely because of these organizations' dissatisfaction with the nature of the Russian Government's economic policy and the results achieved in the economic reform, which are becoming more and more apparent. The opportunities for the United States to increase the capital of the International Monetary Fund are also decreasing after the well-publicized events in Los Angeles.

In connection with the overall deterioration in the foreign economic and currency situation and the condition of monetary circulation, the attempts to stabilize the ruble in relation to foreign currencies, even though it is partly convertible, appear to be even more questionable. Though stabilization of the ruble's rate of exchange in the cash and noncash markets this year, despite the tremendous increase in domestic prices, may be shown as a major achievement, I also agree to consider this one of the few achievements this year, but not such a major one, because the previous exchange rate of the ruble was oriented toward very specific requirements: the importation of goods on a limited products list, foreign trips, and so forth. The increase in prices for most domestic production should not have been concerned with it.

However, achieving a large increase in the ruble's exchange rate, as the government has promised several times, and especially providing for its convertibility, seems completely unrealistic in the current economic situation, which is unlikely to improve before the end of the year. A premature attempt to change over to convertibility may cost us dearly. I recall that Britain made such an attempt in 1947, when its situation at that time was much better than ours is now, and it was forced to abandon it in several weeks after it lost a substantial part of its gold reserves. It took more than 10 years before the British pound sterling made the successful transition to convertibility.

#### **Finance, Credit, and Monetary Circulation<sup>9</sup>**

The new Russian Government considered normalization of monetary circulation a principal task in its economic policy. Hard currency was to stimulate the production activity of enterprises and people, provide for saturation of the consumer market, increase the urge to save, reduce surplus stocks, and attract foreign capital to the country. The successful monetary reforms conducted by Erhard in Germany, the switch to the chervonets during the New Economic Policy period, and a number of other monetary reforms have confirmed the importance of normalizing monetary circulation for an economic revival.

Liberalization of prices for most of the products in the national economy was undertaken at the same time as financial and credit stabilization. Macroeconomic stabilization was called upon to limit the growth of prices associated with it and not to permit its shift to the hyperinflation stage. Provision was made for an increase in retail prices of 2.5 to three times as much right after their liberalization and a monthly increase of no more than 3 percent in the near future, which would mean improvement in the quality of the monetary circulation situation. By mid-year it was assumed that the transition would be made to convertibility of the ruble based on the price liberalization and improvement in the currency and finance situation.

In the measures for economic stabilization, top priority was given to a drastic reduction of the state budget deficit, which had become the most important factor in monetary and credit emission in recent years because of its vast size (up to 20 percent of the GNP in 1991 for the former USSR as a whole).

The government's plans to normalize monetary circulation and strengthen the ruble were canceled by reality. Although it seemed that a great many efforts were made and the interests of the people and the national economy were sacrificed in the interest of monetary stabilization as well:

The fundamental reason for the failure of financial stabilization, I believe, is the effect of the negative factors in the economy's development that have already been described: the huge decline in national income, including the output of consumer goods, the tremendous drain of capital to other countries, and the evasion of taxes on income and wealth by persons with the highest incomes, as well as by enterprises themselves, have ruled out financial normalization. Disruptions in organizing the collection of budgetary incomes and monetary circulation have been added to these factors.

The government's failure in implementing the republic's budget was exceptionally unfortunate. The government, followed by a number of economists and publicists, often evaluate implementation of the budget in accordance with the size of the deficit in relation to the GNP and maintain with satisfaction that there is a substantial decrease in this amount compared with the preceding period. An assessment such as this is correct when a budget is managed normally, when the expenses planned are implemented regardless of the incomes received. Right after the failure to bring revenue into the budget, the government made the decision to sequester expenditures, that is, to bring them into conformity with the amount of revenue collected, which would have provided for a deficit-free cash budget. The method was as simple as it was harsh. It is so easy to ensure that incomes exceed expenditures, but at the cost of worsening all the rest of the country's life.

However, the opportunity for the government to juggle the budget was established at the very beginning, when it

was put together. First of all, the government put a number of innovations into budgetary practice this year which did not enrich it at all and did not bring it closer to the level of civilized countries. In practice, the government's activity is now determined not by an annual budget, which has not been adopted thus far by the Supreme Soviet (I am writing this at the end of May), but by quarterly budgets. But even they have been presented and considered very late. So the budget for the first quarter was adopted at the beginning of April, and the budget for the second quarter is still being reviewed by the Supreme Soviet. This was not permitted even during the time of Ryzhkov and Pavlov, and getting the budget passed by the Supreme Soviet was not so easy then either, you know. The budget's formation in current prices is also surprising, in view of their unpredictability: planning expenditures in current prices makes the budget's proportion in the GNP completely indefinite with respect to both incomes and expenditures, and it disorganizes the practice of collecting revenue and making expenditures. Meanwhile, the idea has suggested itself: simply put the budget together in constant prices for the third quarter, let us say, and then index incomes and expenditures in conformity with the change in prices in the national economy. This is what was done in the RSFSR in 1921 when the first NEP budget was put together, calculating it in prerevolutionary gold rubles. I do not think the government did not know this, but apparently it was easier to cut the real expenses of budgeted institutions by planning the budget in current prices.

As an assessment of the success of its budgetary policy under the specific conditions for forming and executing the republic budget this year, the government should support implementation of the budget in accordance with revenue. Budget revenues for the first quarter were planned at R420.5 billion, but R224.2 billion were actually received.<sup>10</sup> We have not had such low budgetary receipts (53.3 percent) for almost 70 years, except for periods during the war, possibly. But obtaining budgetary receipts in current prices is only the most successful aspect of this problem. As Ye. Gaydar stated at one time, the budget was based on a fourfold increase in prices in the first quarter, compared with the end of last year. But prices actually rose by more than nine times as much. The real amount of revenue collected, consequently, must be reduced by more than half, bringing it to 23.4 percent of the planned amount.

The failure in collecting budget revenue, I repeat, was the result of the tremendous decline in production, far in excess of what the government expected, the drain of capital, and the tax evasion, as well as major errors in organizing the tax system and the huge nonpayments in economic operations. Inasmuch as the first two causes are quite obvious, I will dwell on the last two. The government, it seems to me, clearly was in a hurry to shift to the forms of taxes used in the West, but it did not think about the complications of introducing a value added tax, which was completely new to us, although

certain economists, S. Aleksashenko (ECONOMICHESKIYE NAUKI, June 1991) in particular, had warned about this in detail. Though failure to understand the new tax often served the government's purpose. Many enterprises which did not look into the details deducted the tax for the budget not from their net output, but gross output, an average of twice as much. But this did not help much. When the total revenue was planned at R43 billion every month, it received only about R11 billion in January and R33.7 billion in February—about R40 billion. But the January ruble was nearly twice as expensive as the March ruble and the one budgeted for the first quarter, so the real amount of the tax was less than 30 percent of the amount planned.

Enterprises' nonpayments to each other, which have increased rapidly since the beginning of the year, have had a serious effect on the amount of revenue from this tax. The tax is levied on the sale of a product, and the failure to receive payment for products has reduced deductions for the budget, but the increase in these nonpayments in March alone—R400 billion—turned out to be quite comparable with the GNP produced this month.

The failure to collect the value added tax becomes even more apparent if we take into account that its planned amount was substantially less than it should have been in accordance with the norms for its imposition. In fact, the planned amount of the national income in the first quarter was roughly R900 billion (70 percent of the GNP of R1.3 trillion). Taking into account the different exemptions, the value added tax (which includes the amortization allotments) was set at 22 percent. So about R200 billion would have to be received instead of R128 billion. However, a smaller amount was specified for it in the budget, which made it possible to reach and exceed it without any particular effort. As some Russian economists have pointed out, the budget revenues were especially planned with a large margin of safety so that it would be easier to achieve the deficit-free budget that was planned. The fact that even these modest goals were not reached makes it even more regrettable.

Collecting the profits tax was easiest of all in the first quarter: it was not levied on the actual profit, but the profit in the first quarter of 1991 with a coefficient of 3.5. But it will have to be taken from the actual profit in the second quarter, which has declined substantially (taking the price increases into account). Major innovations were introduced in the taxes in foreign economic relations. We have not yet come up to the level of the customs duties on imports in civilized countries (this is planned in the second quarter). In the first quarter, the budget revenue mainly came from export duties which were established in fixed sums per unit exported for a number of commodities, mainly raw materials. So the government decided to take part of the difference between the understated (fixed for fuel) domestic price and the world price for these commodities. The revenue received is later converted into rubles at the market rate of exchange. When there is a gap between domestic and

world prices caused by the government's actions, the tax on exports in itself is completely justified. It is another matter when there are specific rates of export duties for individual commodities which are often set arbitrarily, according to specialists' opinions. The absolute amount of these duties in rubles, which are planned at R500 billion annually, that is, nearly one-quarter of all the budget's annual revenue, may be called into question as well. Is this connected with the artificial overstatement of the ruble's rate of exchange? To a certain extent this is true, evidently. But this vast sum mainly reflects the real role of raw material production in the country's economy; when other sectors are compared with it, they appear impressive only when their output is calculated in domestic prices and in the domestic market. It was planned to obtain revenue of R228 billion, or over half of all revenue in the republic budget (primarily in the form of export duties) in the first quarter. Only R30 billion were actually received, including only about R6 billion in January and February. In order to conceal this failure, the government decided at the end of the quarter to show the budget revenue only as the balance of receipts and expenditures from foreign economic activity (and the Supreme Soviet agreed with this). No convincing explanation for this step has been provided, and none could have been provided.

Inclusion in budget receipts of the results of credit transactions, where once again credit receipts are balanced with payments on the debt and the granting of new credits, is very bewildering. There is no economic sense to such balancing, because these are two different economic operations. But this is not the main point. Payment for credits is unquestionably an expenditure, and their receipt is not income, but a means of covering the budget deficit, as in the case of domestic loans. Inclusion of foreign loans in the receipts has only one purpose: to artificially reduce the budget deficit. However, this practice made its appearance long before the appearance of the new Russian Government, which readily took advantage of it. Evidently Russia received loans for \$2.75 billion (one-quarter of the sum granted to Russia for this year) in the first quarter. Then the deficit covered by foreign loans amounts to roughly R275 billion at the Central Bank's market rate of exchange.

If we add here the difference between the planned expenditures and the actual revenue (R240 billion), as this is done in international practice, the total deficit amounts to R515 billion. In current prices, the GNP amounts to about R2 trillion, evidently, so the deficit exceeds 20 percent of the GNP. The authoritative American newspaper WALL STREET JOURNAL arrived at the same assessment.<sup>11</sup> So in spite of the tremendous efforts and sacrifices, Russia has retained the same gigantic budget deficit that it had before implementing the radical economic reform.

The excise tax, established to conform with the practice in countries with a market economy and a wide range of commodities, primarily those which are luxuries for us,

has not been collected satisfactorily, either. The difficulties in their production and sale in the first quarter had an effect here, of course. Few taxes were collected from the public. The increased number of persons with minimum incomes not subject to taxation and the inability of the tax service to collect taxes from the huge incomes of the new bourgeoisie and petty bourgeoisie have also had an effect. The income from privatization of property, which proceeded very slowly in the first quarter, when this income was figured on the basis of the property's book value, not the market value, has proved to be negligible; many enterprises are being privatized in accordance with the market value, which is tens of times more than the book value.

While the government clearly failed in obtaining budget revenues, it managed with expenditures very resolutely by reducing them to the minimum (43 percent) determined by the revenue. Their real level, as I have already mentioned, was minimal because of the underestimation of the price increase proposed. The decrease in expenditures for capital investments, subsidies, and financial aid to other countries were particularly substantial. While the decrease in foreign aid was necessary, the decrease in capital investments, in my opinion, exceeded the extent justified by threatening the vital activity of many areas in the economy. With respect to military expenditures the reduction evidently did not correspond to what had been promised. They were sharply cut back for arms purchases, but increased to maintain personnel. There were hardly any changes for NIOKR [scientific research and experimental design work].

A reduction of all military expenditures by 10 percent, which the press has been writing about, cannot be considered sufficient, taking into account their colossal initial level and the severity of the economic situation.

Substantial funds were allocated in the budget for foreign economic activity—R530 billion, one-quarter of all budget expenditures. R400 billion of this amount were allocated to buy currency for the republic foreign currency reserve. Russian enterprises must sell part of their foreign currency earnings for compensation in rubles at the exchange rate of R55 to the dollar. Other expenditures made up the subsidies to cover the differences between import prices at the privileged exchange rate for individual groups of consumers (for example, for centralized purchases of grain, medicines, and so forth) and market prices, as well as the expenditures to pay off loans. At the same time, the government made use of one more innovation in putting together the budget with respect to the expenditure to repay credit. It is indicated in the budget only as the balance in credit transactions, which turned out to be favorable because payment of part of the debts was deferred. Because of this, the budget deficit which we calculated proved to be even higher than the budget expenditures.

The decrease in budget expenditures for the national economy and social and cultural needs was especially large; their actual amount was absolutely insignificant.

because of the ruble's devaluation. There is no need to demonstrate the pernicious effect of such a decrease on the further development of society. But it was hard to expect that its sacrifices would be resigned to their "fate" without a murmur; in the next quarter, there was a strike by medical personnel who had just achieved an increase in wages and other expenditures for education and health care and a general strike was threatened in power engineering. Worst of all, the government did not demonstrate any imagination, and expenditures were cut identically for everyone in accordance with the old Soviet custom. Out of hundreds of VUZ's that are absolutely useless, not one has been shut down, as far as I know. Military expenditures suffered least of all from the reduction. In nominal terms, they were even increased. Although considerable reserves remained here. If it is really difficult to reduce the number of officers and warrant officers, do we need to have so many soldiers? Are such large expenditures for the security service, equivalent to the expenditures to maintain the Ministry of Internal Affairs, justified (this is hard to calculate in accordance with the expenses for law enforcement organs)?

The expenditures to form the foreign currency reserve were probably much smaller than planned, even if it was planned to keep them at the level of the previous year because of the decrease in exports. In trying to balance the budget, the republic government did not transfer the funds for paying servicemen's pensions to the pension fund. As a result, the sizable debt to the pension fund will have to be paid in the next quarter.

What is the result of the government's efforts to balance the budget? Judging by the cash execution of the budget, it has been made almost deficit-free—the deficit amounted to no more than 1 percent of the GNP. But even the government does not consider this figure realistic. It was "created," incidentally, at the very end of the quarter by a number of manipulations of a very temporary nature.<sup>12</sup> The figures on the budget deficit which the government presented to the International Monetary Fund at the very end of February (the 27th), when the status of budget fulfillment in the first quarter had already been brought to light, were much more significant (the International Monetary Fund, unlike ordinary Russians, could not be easily deceived). In the memorandum submitted by G. Matyukhin and Ye. Gaydar, the budget deficit for the first quarter was set at 14.1 percent. If we add here the foreign loans, which I understand were included in the budget receipts, the budget deficit is far in excess of 20 percent of the GNP.

Nevertheless, the lack of a major deficit in the cash execution of the budget may be an important factor in stabilizing monetary circulation. But this did not take place in the first quarter, either. Prices have increased by more than nine times as much. Isn't this hyperinflation? The main price increases took place at the beginning of January. But for the rest of January and February and March, the price increases were huge and much higher than even at the end of last year, when they increased 10

to 20 percent, according to the government's own assessment. But after all, not only the low deficit in cash execution of the budget should have brought down inflation. A production recession in any market economy is accompanied by a decline in prices. Our people have proved to be surprisingly patient (if we exclude the miners, who obtained a large increase in wages; only part was given to them, however, because of the shortage of cash). The ratio between the increase in credited wages and retail prices is approximately one to three, but if we take into account that part of it has not been paid, it is even less. When such a correlation existed in Poland, for example, they managed to bring down the increase in prices to several percent in a few months. We had an additional reason for stabilizing monetary circulation. The release of prices which led to their rapid increase was not accompanied by a substantial increase in the overall money supply. According to the quantitative theory of money, when money is circulated at a constant rate, price stabilization should begin quickly. Why didn't this happen here? In spite of the expectations of the government and many economists, the enterprises which encountered limited demand from the public and other consumer enterprises did not begin to lower prices quickly to ensure sales. Many of them preferred to cut back production to maintain the high prices or to work with stock on hand, making up for the decrease in real earnings with nonpayments to suppliers. A payment crisis of unprecedented proportion has broken out. For the sake of fairness we should point out that a payment crisis took place in the initial stage of the transition to a full-fledged market in other former socialist countries (Poland, Hungary, Czechoslovakia) as well. But the scale (with respect to the GNP) was incomparably smaller. Our payment crisis developed with stunning speed. The volume of nonpayments by government enterprises to supplier enterprises increased from R39 billion as of 1 January to R141 billion on 1 February, R390 billion on 1 March, and about R800 billion on 1 April. This increase reflected the enterprises' continuing financial difficulties, and by the end of the quarter, it came close to half of the quarterly GNP. But it is more correct to relate it to the gross national product, which was evidently about R4 trillion. If we exclude the mutual nonpayments, which some estimates set at one-third of all the nonpayments, the earnings of economic enterprises turned out to be more than R500 billion less. So enterprises not only reduced production drastically, but they lost their real earnings from it (taking the price increases into account). The huge nonpayments meant that a large part of the state sector became bankrupt, and only the absence of a bankruptcy law prevented their de facto bankruptcy from turning into de jure bankruptcy.

The state enterprises have still had the opportunity to pay wages somehow, to pay certain suppliers and make payments to the budget by suspending payments to the banks, which should add up to about R600 billion, according to available estimates (nearly the same

amount issued in credits). So not only the production sphere, but the banking sphere as well, has actually turned out to be bankrupt.

It was precisely here that the greatest danger for the economy began at the end of the first quarter. And this crisis reflected, in the most concentrated form, the overall failure of the economic reform begun at the start of the year. Only the emergency measures taken by the Central Bank on the credit emission taken at the beginning of March, as well as the absence of the institution of bankruptcy, prevented the final collapse of the economy. But the "bomb" of the payment crisis is ready to explode at any time.

What was observed more often than not at the end of last year and continuing in the first quarter, if not the bankruptcy of the banks, was the inability of enterprises to obtain cash from their accounts in the banks. The announcement "no money today," devastating for a bank, hung almost every week in the windows of many branches of the Sberbank Rossii [Russian Savings Bank]. The Vneshekonombank discontinued payments under foreign currency accounts.

The status of economic organizations' current accounts reflects the enterprises' tremendous payment problems: as of 1 March they increased by only 1.5 times as much since 1 January, while wholesale prices during the same period rose by a minimum of eight times as much, almost like retail prices. Consequently, the real value of current accounts altogether fell by five times as much over the 2-month period. However, the total value of the funds in current accounts is still insufficient to characterize the financial status of the economy. It is important to know the state of affairs in individual sectors of the economy. But we have no data on this. It is clear, however, that there are considerable differences here associated with the unequal increase in prices and costs in individual sectors. No data are available on the total amount of profit in the economy as a whole and in individual sectors, either. Strictly speaking, the huge nonpayments themselves attest to the disastrous situation with respect to the profit of numerous enterprises and entire sectors. It is most likely that retail trade is in the best condition because of the huge trade markup, even officially authorized at 25 percent, but often much higher. The situation is better in the industrial sectors that have been able to raise prices much higher than the average (metallurgy, the chemical industry, and enterprises which turn out many semimanufactures). Transport, construction, agriculture, and many sectors of industry, both in the initial and final stages of the production cycles, are in a critical situation.

The lack of monetary assets in an economic activity is often cited as a reason for the nonpayment crisis. Inasmuch as enterprises' monetary assets are part of overall money turnover, which has been subjected to a real reduction, we will need to determine the extent of it. To start, let us take 1960 as the year which, in the general opinion of our economists, was the year of the best

commodity-money balance. Overall money turnover at that time was R24 billion (including R6.6 billion in cash and R6.5 billion in the assets of economic enterprises in bank accounts).<sup>13</sup>

The share of the RSFSR was roughly R18 billion. The national income produced by the USSR in 1960 was R145 billion, and Russia's national income was R96 billion, or R24 billion per quarter. In the first quarter, it amounted to more than R2 trillion, or it had increased by over 80 times as much. But at the previous turnover rate of monetary assets, they should have been R1.4 trillion in the first quarter. But actually the figure was about R1 trillion, that is, roughly R400 billion less than required. In addition, the utilization of monetary assets worsened and there was a slowdown in their turnover during this period (1969-1992). So the payment crisis is partly explained by the real lack of monetary assets in economic activity after prices were increased at the beginning of the year.

The payment crisis was completely unexpected by the government, obviously. It was probably hoping that enterprises would be able to substantially increase the volume of free monetary assets and working capital in general through their increased profit from the higher prices compared with wages and the higher earnings. The unwillingness of many enterprises to lower even the prices that were obviously overestimated, the vast decline in production and labor productivity, and the deterioration of other production efficiency indicators have made most enterprises really unprofitable, and essentially bankrupt (after paying taxes for the budget and taking into account the incompletely amortized replacement value of fixed production capital, which has increased by tens of times as much).<sup>14</sup> The decrease in the ruble's exchange rate by tens of times, which led to higher expenditures for imported materials in both centralized and decentralized purchases, has played a definite role in raising production costs.

This year, huge financial losses have taken the place of the incredible profits last year and the year before, primarily because of the vast difference between the cost of credits received from the Central Bank (they took up almost one-third of the liabilities of these banks, which is quite uncommon for commercial banks) and the credits issued by the banks themselves, and to a significant degree with their participation in commercial speculations. Most of the commercial banks were rescued from complete bankruptcy this time by the Central Bank, which granted them substantial credits at the beginning of March which will probably not be repaid. In March alone, the Central Bank's credits to commercial banks increased by R100 billion, which amounts to 80 percent of their total as of 1 January 1992.

The bankruptcy of numerous banks is natural under conditions of economic and financial crisis, of course. But the actual bankruptcy of nearly the entire banking system is explained by its extreme weakness. It differs little in its operating methods from the old banks (except

for the absence of credit and money circulation plans). Extreme thoughtlessness in granting loans, which is explained by bank employees' poor qualifications as well as extensive corruption, inevitably led to their current situation. I will take the liberty of referring to the prediction about the threat of bankruptcy in the banking system which I made in the summer last year in an article published in the journal KOMMUNIST. A similar warning was given by the influential newspaper of American business circles, the WALL STREET JOURNAL, in an article by its Moscow correspondent published on 6 June 1991 under the title "A Staggering System." Specialists in the Washington firm of Clifford-(Brody) who specialize in evaluating the banking system of the CIS countries, which consists of more than 2,000 commercial banks, believe it is possible to classify only less than 75 as proper banks, which have employees who may be considered banking professionals capable of operating at the level of international financial requirements.<sup>13</sup>

For the sake of objectivity it must be said that determining who should and who should not grant credits in this madhouse—which our economy was last year and still continues to be—is difficult even with the highest skill. It is not without reason that foreign banks are in no hurry to establish their branches in Russia.

An extremely severe stock exchange crisis broke out in the securities market at the beginning of the year. Our securities market and so-called stock exchanges are even more ludicrous than our commercial banks, of course. Their volume of operations is insignificant and their structure (with the predominance of shares in commodity and stock exchanges) and trade organization is deformed and ridiculous.

All the same, tens of billions of rubles have been invested in shares and the conduct of this market affects the financial status of a number of enterprises (including commercial banks), and it also reflects the condition of the country's economy.

Throughout last year stock quotations in the exchanges increased rapidly. A real "exchange boom" was observed. The quotations of many shares were tens of times higher than their par value. Of course, this boom (excluding the inflationary component) was artificial and linked in many respects with the lack of experience of Russian businessmen and the public (let us point out, for example, the huge success of the "Menatepa" shares, which provided no information on the results of its activity). The hangover came at the very beginning of this year. Following the sharp decline in the commodity exchanges' operations, the quotations for their stocks dropped (by 16 percent in the first half of January), the quotations for industrial companies dropped (by 2 percent), and the quotations for the stocks of commercial banks rose by 3 percent. However, the true decline in stock quotations was much more nominal. Taking into account the increase in prices by roughly 4.5 times as much in January, their real value fell by almost 80 percent. Such a colossal decline over such a short period

was unprecedented in the practice of a market economy; similar drops in stock quotations in nominal terms have been encountered in the course of deeper monetary crises, but over a longer period (1 to 3 years), and in real terms they were incomparably less, inasmuch as a price reduction of 30 to 50 percent took place at the same time. The decline of the quotation for securities continued even afterward. From January to March the quotation for securities in the most important exchanges fell by 30 to 80 percent, despite the continuing rapid rise of commodity prices. However, it is still higher than the nominal value, which was evidently made up out of thin air.

In an effort to hold back inflation, the Central Bank increased the rates for its credits to commercial banks throughout the quarter from an absolutely insignificant amount of several percent, first to 20, and later up to 50 percent. At the same time, the commercial banks' rates for credits and deposits were raised as well, so the difference, which was one of the most important sources of the banks' huge profits last year, was reduced. But this impressive nominal increase in interest rates meant an unfavorable real rate of interest (taking into account the price increase of 1,200 percent in just 4 months). The commercial banks could have set it higher than the price increase or demanded that borrowers pay back credit by taking the price increase into account, which the RSFSR State Bank did in the 1922-1923 period. But this was not done, nearly killing the commercial banks, which are paying their expenses in current prices.

Throughout the first quarter, the widespread phenomenon of a cash shortage, which is usually accompanied by particularly severe inflation, developed after a long period of time (since the early 1930's). It was also linked with the decline in the output of consumer goods and services and the reduced monetary receipts from trade and the services field. But I am almost certain that the policy of the Central Bank and the government in holding back the money supply artificially had an effect on the scarcity of money. I do not believe that it was impossible to substantially increase the currency emission with the help of a timely issuance of bank notes of larger denomination. Holding back this currency emission, giving temporary relief for part of the price increase, weakened the incentives for work and built up social tension. The erosion of distinctions between cash and noncash monetary turnover, the decreased opportunity to monitor cash and money circulation because of the economy's liberalization and the formation of numerous commercial banks which (like the commercial stores) held their cash receipts for a long period or used them for settlements, had an effect on the cash and money scarcity as well.

So nearly all the signs of a monetary crisis characteristic of a market economy were present in our economy in the first quarter this year (except an increase in real interest): the exchange and bank payment crisis and the scarcity of money. This means that the market, even in its abnormal form, has begun to function. But it began immediately

with a crisis. By not providing hardly anything positive, the market has already demonstrated its dark sides, and on a most disastrous scale.

It follows from what has been said about the state of the economy in the first quarter of 1992 that the overall crisis in the economy was intensified substantially during this period. Though fortunately, we did not have famine (primarily because of the imported grain), cold weather (because of the warm winter), or widespread epidemics. The economy has not come to a stop because of the payment crisis. Transport and other areas of sustenance for the public have continued to function. There has been no collapse yet. But it has come very close, and the threat of it over the next few months is becoming even more apparent. The point is not that there has been a tremendous decline in production... All the disproportions in the economy have been exacerbated. The spheres of life sustenance have turned out to be in the most disadvantageous position because of the unfavorable relationship of prices. The price changes that have taken place have not improved their relationship, but worsened it even further. Though the difference between the price levels in state and commercial trade has been reduced somewhat. But on the other hand, the regional differentiation in prices has increased, reaching simply incredible proportions—11 times as much for foodstuffs and three to four times as much for nonfood products. The proportions in wages have gotten worse as well. The economy is ridiculous, and it seems it is turning into an economy of superabsurdity.

What is the reason for what has happened? I would not want to link this only or even primarily with the erroneous actions of the Yeltsin government by any means, although this is frequently the case now.

We are still reaping the fruits of the previous flaws in our economy. Inevitably, an attempt to reform the old economic system will be agonizing and subject to failure under any government. The principal reason for this is the trap set in all areas of economic and social life by the totalitarian system.<sup>16</sup> Stalin had the right to solemnly declare the victory of socialism in 1936, meaning elimination of the chance of capitalism's restoration. During the years of perestroika, the collapse of statehood, which S. Shakhryay wrote about impartially recently, was added to the numerous traps which already existed (and which became even more intensified after the events of August 1991). If all the law enforcement organs in the country, for whose maintenance huge sums of money are spent, are not in a position to maintain elementary order at the Sheremetyevo-2 Airport, let us say, this means we have no kind of state at all, only the outward appearance of one which is materialized by a flag and numerous officials and organs of authority, and not even a state emblem or an anthem.

What kind of a role has the government played in deepening the crisis? Let us give it its due. It acquired a very burdensome legacy, and for the first time after a number of years of discussing reforms, it has really begun

implementing them on a broad scale. Let us not forget, however, that the first steps toward the market were taken under the governments of Ryzhkov and Pavlov, all the same. The market has begun functioning in the country, even if it is functioning poorly.<sup>17</sup> Privatization and housing and land reforms have been set in motion. The reduction of military production, on a scale inconceivable before, has been undertaken in earnest.

There are a few positive results, even though they are small ones: saturation of the consumer market has been increased, and some people and enterprises have begun looking for opportunities to improve matters through their own efforts. On the whole, however, this activity has not been successful yet. True, 3 months is too short a time to make a final judgment. But after all, it is often apparent how a pedestrian walks from his first steps. The fact that the strategy of reforms has been incorrect as a whole is the reason for these failures, I believe. Incidentally, this strategy has not differed much from that of many of the government's current critics. The reform strategy of a madhouse, which our economy has been, must not be developed on the basis of incomparably more normal economic systems. Completely original approaches have been needed here. But unfortunately, we do not have a Witte or a Stolypin or scientists such as Tugan-Baranovskiy and Kondratyev. The lack of experience in state activity of many members of the government and their unwillingness to take into account the opinion of their opponents and persons not on their team in general, as well as their tendency to embellish the real state of affairs, have had an effect, obviously. If the government cannot modify its program and actions in light of the failures in the first quarter, a sad end can be expected, not only for it, but all the citizens of Russia.

#### Footnotes

1. After completing this part of the article, I received a Russian Goskomstat report made available by the government and materials for the discussion "On further development of the economic reform," compiled under the supervision of R.I. Khasbulatov. They contain certain refinements for the data which I have available. Nevertheless, they do not alter the overall picture of the condition of the economy which I developed previously.

2. A more detailed analysis is provided in my articles in the journal DRUZHBA NARODOV (Friendship Among Peoples), No 4, 1991, and KOMMUNIST (No 12, 1991).

3. At the same time, production of animal oil, cheese, and sheep's milk cheese, for which free prices were established at the beginning of the year, even increased by 2 and 82 percent, respectively.

4. The unweighted mean for 100 industrial products contained in the January summary is a decline of 19.7 percent; the mean for 33 machine building products is 26 percent.

5. 57, 37, and 6 percent, respectively, according to *NARODNOYE KHOZYASTVO SSSR V 1990* (National Economy of the USSR in 1990), p 466.
6. *Mirovyye ekonomicheskiye krizisy, 1838-1935* (World Economic Crises, 1838-1935), Moscow, 1937, pp 392-394.
7. *NARODNOYE KHOZYAYSTVO SSSR*, p 644.
8. *IZVESTIYA*, 28 April 1992.
9. In this part, as in the preceding part, the data used are contained in the government report "On the Course of Economic Reform in Russia."
10. Taking the R30 billion in receipts from foreign economic activity into account.
11. "A Rate Larger than Life," *ROSSIYSKAYA GAZETA*, 29 April 1992.
12. V. Sluzhakov, "The Chronicle of the Diving Budget," *ROSSIYSKAYA GAZETA*, 17 April 1992.
13. Calculated from data in the book by I.I. Konnik, "Dengi v period stroitelstva kommunisticheskogo obshchestva" (Money During the Period When a Communist Society Was Built), Moscow, Kreditno-Denezhnaya Sistema, 1967, pp 308, 316.
14. The government had the opportunity to overcome this resistance by removing 20 or 30 directors of major enterprises, let us say.
15. "Russian Banks: How They Are Evaluated in the United States," *WE/MY*, February 1992.
16. I wrote about this problem in more detail in the article "The Trap," *NOVOYE VREMYA*, 108.92 [sic].
17. We should not expect quick results from the new forms of economic operation, however. Let us remember the major failures with cooperative exchanges, commercial banks, free economic zones, and other economic innovations during the period of hasty transition to capitalism.

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#### **Yavlinskiy on Reform Aims, Obstacles**

934400574 Moscow *TRUD* in Russian 10 Oct 92 p 2

[Interview with economist Grigoriy Yavlinskiy by Vladimir Dolgodvorov in Nizhniy Novgorod; date not given: "It Is Time to Build the Country Up From the Grassroots"]

[Text] The team of Grigoriy Yavlinskiy has been working in Nizhniy Novgorod for more than three months now.

[Dolgodvorov] Grigoriy Alekseyevich, what have you and your team been doing? How did you end up here?

[Yavlinskiy] In any event, not on instructions from the top. Previously the state assumed responsibility for 90 percent of the care of individuals. We can see what this brought about. It is time to begin building the country up from the grassroots, otherwise we will lose Russia just as we lost the Union.

It is difficult to put into a few words everything that has been accomplished. We worked along seven principal avenues, and for all of them we mapped out paths along which forward movement is possible with varying degrees of advancement. Infusing our program with specific content is a matter of more than three months.

To this end a joint consultative organ was established—a coordinating council to which the chairmen of the oblast and city soviets and the heads of administrations belong.

[Dolgodvorov] How realistic is your program this time around, taking into account the continuously changing economic situation? What was getting in your way?

[Yavlinskiy] One of the key ideas of the program is to form the so-called middle class—a stratum of people with a quite stable property status who have something to lose. In our opinion, this particular stratum of owners may become the base of stabilization policy.

We propose to form this stratum on the basis of privatizing departmental housing stock, the social infrastructure, and trucking fleets, implementing land reform, and selling land to the population.

What interfered with our work? Here is a fresh example. After numerous rounds of coordination with Moscow, B. Nemtsov, head of the oblast administration, announced the beginning of privatization of the trucking fleet at a briefing, and the following day received a government resolution concerning a ban on privatization. It is advantageous for someone to preserve the center in the form in which it existed before, to maintain tremendous managerial structures and their dictatorial powers. It appears that this problem is now being resolved.

[Dolgodvorov] The social sphere is a painful topic that concerns all of us.

[Yavlinskiy] In Nizhniy Novgorod enterprises maintain more than one-half of the housing stock of the city, and in the cities of Arzamas-16 and Navashino this statistic is higher still. There are almost 2.5 million square meters of housing, 105 day care facilities, a hospital with 100 beds, the Palace of Culture, and a great deal more on the balance sheet of the Gorkiy Automotive Plant Production Association alone.

We investigated this and discovered that many enterprises of the oblast spend up to 90 percent of their profits to maintain housing and the social infrastructure. This means that they absolutely cannot develop.

Privatization of the social infrastructure is one of the ways out. Many facilities may well be transformed into joint-stock companies, partnerships, and housing cooperatives.

As we see it, civilized divorce proceedings are necessary in this matter—a separation of the social infrastructure from the enterprises. We propose to ensure, in several stages, a situation whereby all subsidies for the social and communal infrastructure will be reallocated to citizens as their income.

This means that enterprises' housing subsidies, or slots at day care centers for enterprise employees, will be paid directly to them, and it will be up to them what to do with these subsidies.

It is just as important to make the new housing proprietors co-owners of the communal services as well. Otherwise, the latter will increase prices for their services without bounds.

[Dolgodvorov] A large amount of funds will be required to carry out your program. Since you cannot count on assistance from the center, where are the funds to come from, especially if we take into account the continuing solvency and cash crises?

[Yavlinskiy] We have managed to resolve the cash crisis in Nizhniy Novgorod Oblast. The oblast has prepared its own securities for 10 billion rubles [R], which scared the Central Bank of Russia quite a bit. The necessary funds have been received. By now there is no need for local bank notes; however, expenditures for them were not in vain. These bills may be used as municipal bonds for a loan, for example, a grain loan, whereby the funds raised are used to procure grain. In this case the payment of the dividend directly depends on the growth of prices for grain. We will thus manage to avoid inflation of the funds invested in grain.

Incidentally, loans are a marvelous economic instrument, which has ended up ultimately discredited because of a lack of integrity on the part of our authorities. Meanwhile this instrument makes it possible to accumulate funds to solve all the most significant problems. The situation must be improved urgently.

A resource maneuver calls for developing the infrastructure of the financial market. To this end, a conversion bank with an authorized capital of R600 million and a mortgage bank have been established in the oblast, as well as a treasury within the framework of the department of finance of the oblast administration.

[Dolgodvorov] At present everyone is afraid of unemployment. What are your predictions in this regard?

[Yavlinskiy] Based on our studies, the leaders of the oblast and the city have continuous access to up-to-date information about the number of people laid off in previous months, the number to be let go in the coming months, and the number on administrative leave. Thanks to this information a program for creating new

jobs and switching to the manufacturing of competitive products at the largest enterprises can be refined.

[Dolgodvorov] Many acquaintances of mine maintain that it is impossible to register a new enterprise in Nizhniy Novgorod without paying a bribe, just as in other localities. How can this situation be changed?

[Yavlinskiy] We have proposed the unrestricted registration of enterprises in Nizhniy Novgorod Oblast. We proceed from the fact that the state should not decide whether to allow an individual to engage in business or not, rather only the individual himself, upon notifying the authorities of his decision. All citizens residing in the oblast will be able to register their enterprises themselves. All they will need to this end is to fill out two copies of the "Certificate of Registration of an Individual Enterprise," which will simultaneously constitute its charter, and pay a registration fee of R2,000. The holder of a "certificate" has a right to open a bank account, sign all kinds of contracts, and pursue his claims in court and with arbitration panels. As far as profits are concerned, an annual declaration of profits will suffice. It is not mandatory to contact the tax inspectorate concerning quarterly accounting balance sheets.

As we see it, such an approach will make it possible to draw tremendous masses of people into entrepreneurial activities, especially if they are exempted from local taxes at the beginning. They will largely be the ones to form the class of owners on which we may draw in implementing economic reforms.

To be sure, the tax services will have to work harder. However, the experience gained will be useful in the process of a transition to the declaration of income by all citizens.

[Dolgodvorov] What is your attitude toward the program for, as they now call it, comprehensive voucherization of the country?

[Yavlinskiy] The very concept of voucherization and the conversion of enterprises to joint stock ownership will be discredited if they proceed in keeping with the pattern proposed by the government. Judge for yourselves: What can be accomplished within a year—the term of validity of the vouchers—given the gigantic scale of the effort at issue? Sensible documents for the conversion of enterprises to joint stock ownership cannot even be prepared before this deadline. Let me recall: In the last 30 years as few as 3,000 large enterprises have been converted to joint stock ownership throughout the world. This is how difficult this endeavor is. This is why we proposed to make certain adjustments in the government program in Nizhniy Novgorod. We believe that the conversion to joint stock ownership and the alienation of property cannot coincide in time. At a minimum, large enterprises should be granted one more year in order to give labor collectives and management the opportunity to select the optimal mode of privatization.... and also to find a potential investor, realistically appraise the value of the

enterprise, develop a plan for its privatization, modify the system of management, mitigate the consequences of possible layoffs, and do many other things.

In a word, if the government wishes to avoid a social explosion it will have to extend both the deadlines for conversion to joint stock ownership and the validity of vouchers.

What do vouchers accomplish for a specific individual? I will give just one example. Suppose you are an enterprise director. I come to you with a voucher in order to buy stock, naturally counting on future dividends. However, what does the director need these vouchers for? You will not cash them, and they have no value by themselves. Moreover, they must be destroyed. Real investment is another matter; you can give a share of your profits in return for such investment. Personally, I would advise not treating vouchers too seriously.

[Dolgodvorov] Under such circumstances, how are the least affluent strata of the population to be protected?

[Yavlinsky] We have developed methods for indexing incomes in the process of drawing the poverty line. Payments should increase depending on the rate of inflation. To this end, an automated social welfare system is being established in Nizhniy Novgorod Oblast, which will make it possible to implement indexation and increase, say, retirement benefits, promptly, within days. Besides, trade unions should not be as helpless as they now are.

[Dolgodvorov] According to reports in the mass media, the operation of your group was not to the liking of some people.

[Yavlinsky] As far as the positive response is concerned, for example, a joint meeting of the city and state executive committees approved and adopted the results of this stage of work. Out of approximately 60 people only one was against, and six abstained. A conference of the heads of oblast and republic administrations, operating within the framework of the Big Volga association (it consists of 12 republics and oblasts situated along the Volga) resolved to expand the use of our experience, as well as adopted an appeal to the Supreme Soviet of Russia concerning appropriate adjustments to legislation.

There is criticism, too. It is impossible for everyone to be happy with the reforms. The new administration, the leaders of the soviets, and the mayor have political opponents. Naturally they are embarking on a struggle in anticipation of future elections and are criticizing the actions of the administration. Sometimes they have a point, but more often than not their criticism is not substantive. In reality, we are being attacked for helping the administration. The essence of the accusations is that we have supposedly inflicted losses on the economy of the oblast. We can prove the opposite, statistics in hand. Well, the administration has brought a slander lawsuit in response to accusations without proof.... Therefore, life goes on.

### Voronin Hits Government Economic Program

934A0057B Moscow NEZAVISIMAYA GAZETA  
in Russian 13 Oct 92 p 2

[Article by Yuriy Voronin, deputy chairman of the Russian Federation Supreme Soviet, in the column "Position": "The Socioeconomic Crisis in Russia: A Simple Adjustment of the Government Program Holds No Promise"]

[Text] The present scale and depth of the plunge of production, deterioration of the economy, and social disenchantment are perhaps without precedent in the modern history of Russia. Russia is going through a profound socioeconomic crisis. What are the specific manifestations of the crisis? I would like to point out the following in this regard.

First, the differentiation of the income and property status of the Russian population has become sharply apparent in recent years, especially this year, as never before. To be sure, so far there have been no statistics to this effect which are reliable to any degree. However, both everyday observations and analyses by specialists, as well as data quoted in the mass media, give quite a bit of food for thought on the topic indicated.

On one hand, home-grown millionaires and new movers and shakers have come along, and on the other hand, legalized paupers, vagrants, residents of shelters, and other "dregs" of society. Between these poles of status of living we have the tremendous majority of Russians, for whom the regular benefits of life in the so-called stagnation years are becoming increasingly unaffordable. At present, the common Russian is not only deprived of the luxury of dreaming about purchasing a car or an apartment but is even afraid to think about more modest things—a bicycle, a TV set, and so on.

The ever growing property and income gap between the people is a powerful influence on their disposition and mood, socioeconomic orientation, and readiness to accept, or, on the contrary, reject market economy innovations. Poverty and hunger have sharply reduced interest in everything that is not directly related to food and other pressing issues of life. Therefore, at present, there is every reason to refer to the state of profound depression of tremendous masses of people in Russian society and, therefore, a certain quality of the social base for market transformations.

Second, economic paralysis is obvious. The situation is particularly dramatic in rural areas. The herd of cattle and number of poultry are decreasing; their productivity is going down. Peasants who are scared by "sky-high" prices for industrially manufactured means of production refuse to sell grain for urban areas at low state prices. For this reason the economic intercourse between urban and rural areas has been profoundly disrupted. Though abating, the nonpayment crisis still noticeably paralyzes industrial enterprises; its unfavorable consequences will be a factor for a very long time to come.

Third, layoffs and forced furloughs of workers and clerical personnel, mounting unemployment, and "drawing down" stocks of foodstuffs and clothing from past years have recently become commonplace against the background of an orgy of prices and delays of many months in the payment of wages, retirement benefits, allowances, and scholarships.

Fourth, a phenomenon is occurring in public life which we could call the syndrome of "the Soviet way of life," with all its advantages and disadvantages.

Experience indicates that no agreements among politicians have the power to actually cancel patterns of thinking, behavior, and way of life which the people consider to be Soviet. Disruption of existing economic relations and common human relations (especially those of kinship) between people who live in different countries—republics of the former USSR—has inflicted and will yet inflict a great deal of damage not only on the economies of the countries in question but also on the moral health of these people.

What is the way out of the existing situation? As an economist and a politician I cannot agree that there is no alternative to the program of reforms which is being officially carried out at present. It is another matter that we do not wish to see it.

The Sixth Congress of People's Deputies of the Russian Federation confirmed the need to pursue a policy of transition to a market economy. At the same time, it was proposed to make substantial adjustments in the tactics and methods for its implementation. This had to do with not overestimating the significance of the monetarist approach to reform, preventing a critical drop in production, preventing mass unemployment, boosting the production of consumer goods, and achieving financial stability, that is, in essence, a conceptual approach to the issue of overcoming the crisis in Russia and ameliorating its economy, which is different from that currently practiced by the government.

As I see it, the current socioeconomic situation in Russia objectively demands that we develop, within the framework of the overall strategy of economic reforms, a special sub-program for economic stabilization, which would subsequently grow into an economic growth program.

Our experience in establishing market relations has pointed up a number of fundamental aspects which we must take into account in the process of enhancing economic reforms.

First, the government program for enhancing economic reforms, which has been submitted to the Supreme Soviet, calls for conceptual solutions mainly at the macro-level, and maintains its expressly monetarist orientation suggested by the International Monetary Fund. In this program the individual does not figure as an actively operating person but merely as an object of compassion and social protection.

As I see it, the tactic of merely adjusting the government program for economic reforms holds no promise. It is precisely a radical change in the very strategy of reforms and the mode of their implementation that appears to be economically justified and politically responsible.

The reform program should be geared towards structural changes in the economy in a more substantive manner, with a view to stabilizing production and preventing the destruction of the productive potential, taking into account the experience of the formation of a civilized market economy in other countries. First of all, it is necessary to develop and implement an entire series of anticrisis measures. They would concern the country's supply of foodstuffs, state support for enterprises in the environment of the current unmanageability of the economy, and incentives for the emergence of productive rather than distributive types of human behavior.

The need for the state to regulate the levels and rates of growth of retirement benefits, scholarships, and various allowances, depending on the levels and rates of growth of wages in the sphere of material production and services, and the development of small business during the anticrisis period, is beyond a doubt. Moreover, each region should have its own programs for implementing economic reforms which will be closely tied to the all-Russian program and its sub-programs. Taking the peculiarities of the regions into account is particularly important in Russia given the tremendous differences in the socioeconomic, demographic, and environmental spheres.

Second, it is necessary to grasp more clearly what kind of society we wish to proceed toward. At present, no one doubts that we would like to live in a modern democratic society with a highly effective economy. However, we must mention that interpretations of the desirable democratic society and the effective economy differ. Some unambiguously interpret the effective economy as a market economy with no reservations, others—a market economy with somewhat strong state regulation, and so on.

Life indicates that even in present-day countries which are best developed in this regard a market economy runs into quite stubborn obstacles in the absence of state intervention to resolve primarily the most acute social problems. In other words, the effectiveness of a market economy is reduced if certain social issues are not resolved.

Issues of regulation by the state should hold a special place in the program for anticrisis measures aimed at eliminating chaos and creating a stable base for consistent movement toward a market economy. This has to do with a return to direct forms of state management in the state sector of the economy.

Third, social protection for the population is necessary in conjunction with the above. This is not at all about

altruistic acts of the present-day super-rich, but rather about the most pressing need for a regularly operating market economy.

In present-day Russia the degree to which social protection is perceived is associated with the fact that the market economy is still weak and cannot generate funds for this purpose which are meaningful to any degree.

Objectively, a market economy is capable of generating as much funding for social protection of the people as can be painlessly allocated for the needs of the emerging market economy itself. I believe that this particular philosophy should also be made the foundation of the tax system of Russia. Of course, it is not going to be easy to quantify such a criterion in practice, and this is why the use of the "trial and error" method is unavoidable in this area, for a period of time and to some degree. There is nothing detrimental about the government and the Supreme Soviet amending the tax legislation in effect.

Excessively weak social protection of the people will hamper the movement toward a market economy. At the same time, advancement toward a market economy will likewise be hampered (albeit for a different reason) by the degree such protection exceeds a certain limit. The issue here is to find the necessary balance whereby both movement toward the market is ensured and adequate social protection of the population is provided. The degree of qualification, mastery, and wisdom of the Russian leadership—legislative, executive, and judicial powers alike—should be displayed in finding this balance.

Fourth, it is necessary to ensure, on the scale of the entire state, the concentration of energies, resources, and funding in decisive areas, primarily and understandably those in the economy. Otherwise, we will continuously experience the effect of "rivers dissipating in the sand."

From this point of view the sub-program for structural changes in the economy should dominate the government program for economic reforms. It should specifically address priority sectors, such as scientific and technical progress, the fuel and energy complex, conversion of defense industry enterprises, and an increase in the output of consumer goods.

As far as priority anticrisis measures are concerned, our attention should be focused on stabilizing the industrial and agro-industrial complexes, while coordinating the actions of Russia with the other CIS member states.

Fifth, we should settle on a pace of movement to the market which Russia, its regions, and the population can "stomach." The experience of the world in making a transition to the market testifies that we should avoid a pace which brings about the destruction of productive forces, the disruption of existing economic relations, and the reduction of the output of consumer goods. In other words, the movement toward market relations should strictly correlate with maintaining and enhancing the manageability of the economy.

Settling on a pace of market-oriented transformations, primarily in property relations, which is acceptable (both objectively and subjectively) is an important task of the organs of power and government at all levels. The pace of privatization of state and municipal enterprises in various cities and regions, industries and economic sectors should hardly be the same. It is necessary to avoid administrative coercion in the process of privatization. This process will hardly advance effectively through the use of techniques and methods such as were used in their time in the course of the Soviet nationalization of industry or collectivization of agriculture. Unfortunately, similar forms and methods prevail in the government privatization program. Not surprisingly, this process has roused major censure on the part of the Supreme Soviet and many Russians. I believe that the real privatization process will "take off" only if its beneficiaries are genuinely interested in it. It appears that privatization—provided that it sets the objectives of creating millions of owners, genuine proprietors—may not be yet another campaign which should be carried out before a deadline set ahead of time. It may take a period of time which nobody will undertake in earnest to predict with any degree of accuracy. In particular, the experience of England, Japan, and other developed countries testifies to this.

Sixth, the Supreme Soviet, the president, and the government of the Russian Federation should have a clear notion of the criterion of what is possible or impossible in their decisions and actions. Thus, as is becoming increasingly apparent, the infamous liberalization of prices was an inadequately thought-through action from the point of view of even minimal social protection for the population.

This was a "market-oriented" act for the sake of the market itself. The liberalization of prices reduced most of the population of Russia to poverty. However, the expected market effect did not come about, which gave the jokers grounds to say that this was a big shock, but the therapy did not work out.

Objectively, a gradual approach and consistency in conquering the heights of the market are needed and necessary. The Supreme Soviet, the president, and the government of Russia are called upon to properly determine this measure of gradualism and the sequence of measures taken.

Finally, it is impossible to fruitfully accomplish the tasks facing Russian society without upholding a balance of the three authorities—legislative, executive, and judicial—which has been borne out by the experience of the world. At present Russia is groping for and seeking this balance in torment.

As far as legislative power is concerned, as is known, it is primarily represented by the Supreme Soviet of Russia. In the final analysis, the thrust of its activities is to create and renew the legal base for Russian society on the basis of a modern, civilized democracy and an effective

economy. Based on its internal potential, the Russian parliament has undertaken certain efforts in this direction. To be sure, the activities of parliament may be evaluated from other positions—from the point of view of the need for laws and legal norms which social development requires. From this point of view the Supreme Soviet is yet to make tremendous efforts.

The current session of the Russian Federation Supreme Soviet and the forthcoming Congress of People's Deputies may become an arena for fierce battles, the underlying basis for which is found in differences in the interpretation of the path of advancement of Russia, the mode and pace of reforms in the economy, and a proper correlation of traditions and innovations. Real life and neo-reforming have sobered up many Russians and their elected representatives. People's deputies are increasingly checking their decisions against the needs of the electorate. This is the most accurate reference point.

An ideological clash of opposing forces is also unavoidable in the course of discussing and adopting a new Constitution of Russia. It has been observed that fundamental documents of this kind, which the Constitution undoubtedly is, attract the particularly partisan and keen attention of the opposing forces when the path has not been chosen yet, and a debate concerning it is underway. From this point of view the ideological fight that will unfold on account of the discussion and adoption of the Constitution of Russia will be precisely an indication that the issue of choosing the path of Russia's subsequent movement remains unresolved.

#### Rising Crime Within Military Outlined

*934C0084A Moscow ARGUMENTY I FAKTY  
in Russian No 40, Oct 92 p 8*

[Statement by Judicial Service Major General L. Obektov, military prosecutor of the Moscow Garrison, in response to reader's letter]

**[Text] If it were not bad enough that our Russian soldiers are dying in the course of someone else's interethnic conflicts, the crime rate is not going down within the units themselves, even in the vicinity of Moscow. How much longer can this go on?**

**[Signed] N. Panova, Stary Oskol**

We asked Judicial Service Major General L. Obektov, military prosecutor of the Moscow Garrison, to comment on this letter.

We registered an upward trend in the crime rate in the army as early as 1989, and it has coincided with the curve of the growth of the crime rate in our country. In the eight months of this year, 854 crimes were recorded in military units, establishments, and organizations which are within the jurisdiction of our prosecutor's office (there were 498 crimes during the corresponding period of 1991; the growth rate is 71.5 percent). The number of premeditated homicides increased (by 71.4

percent; 26 servicemen have already died), as well as rapes (by 60 percent), thefts of state property (by 125 percent) and personal property (by 300 percent), and crimes associated with the acquisition, possession, and sale of narcotic substances (by 80 percent). Some 57.3 percent of the crimes were committed by military construction personnel or with their participation.

Most recorded crimes are investigated while the trail is still hot, despite investigators of the military prosecutor's office being considerably overworked (each of them handles 20 to 30 cases simultaneously; more than one-third of the investigator positions are vacant because of low salaries).

#### Commission Head on Tax Law Problems

*934C0084B Moscow ARGUMENTY I FAKTY  
in Russian No 40, Oct 92 p 3*

[Interview with A. Pochinok, chairman of the Commission for the Budget, Plan, Taxes, and Prices of the Soviet of the Republic of the Russian Federation Supreme Soviet, by unidentified ARGUMENTY I FAKTY correspondent; place and date not given: "Taxes and Relief"]

**[Text] Our correspondent interviewed A. Pochinok, chairman of the Commission for the Budget, Plan, Taxes, and Prices of the Soviet of the Republic of the Russian Federation Supreme Soviet.**

**[Correspondent] A prominent jurist stated recently in ARGUMENTY I FAKTY that the tax legislation in effect is so contradictory that enterprises and individuals are put in a situation where they cannot but violate it. How can you, a co-author of many draft laws, explain this?**

**[Pochinok] Current legislation could not but be that way. Two contradictory concepts clashed when this legislation was passed. Since neither the parliament nor the government was able to prove that they were right, a tax centaur of sorts came along. The position of the commission was that only the funds of enterprises allocated for consumption should be taxed, whereas profits allocated for the development of production in any form, or for the social sphere, should not be taxable. In our opinion, value added tax should be set at a level of 14 to 18 percent.**

**For his part, Gaydar proposed the concept of high taxes. To what end? He needs to ensure that the budget takes in funds. However, the higher the taxes, the greater the number of people for whom it makes sense to conceal their incomes. Unfortunately, this happened. This is precisely why the government agreed to quite a number of relief arrangements in summer. By this point the government is already talking about investment programs and investment preferences for next year.**

**[Correspondent] Pardon me, but we do not have random people over there either. Why did they not understand it right away?**

[Pochinok] They counted on making money the easy way, whereas it should be raised in a different manner, through a strict system of tax collection.

[Correspondent] Many enterprises are groaning under the tax burden. Let us look at the press. We collected subscription funds from our readers last year, when nobody had heard about value added tax (VAT), whereas this year we are forced to pay tens of millions in VAT. Does it not make sense to grant tax relief to the press?

[Pochinok] We in the Supreme Soviet are categorically against customized relief for enterprises or industries. We set forth specifically that customized relief is impermissible. We grant it to one entity, and hundreds of others will squeeze through this loophole. With the best intentions they suggested that we not impose VAT on goods delivered to orphanages. What would this bring about? All our exchanges would begin to trade through orphanages. People are very good at figuring out how to evade taxation.

Relief should exist for all. I will advocate a simple principle: What is now being invested is good. Fine, exempt this from taxes. What an enterprise spends on the social sphere, on people, is good. Nobody wants to maintain the social sphere, it is perishing. We will seek tax relief in this area as well. This also applies to VAT. Effective 1 January, VAT will be reduced to 20 percent, and on foodstuffs—to 10 percent.

If I had my way I would introduce a combined tax ceiling for enterprises above which the state should not collect a kopek. Besides, I am in favor of stable taxes. They cannot be changed every month.

Tax legislation should give incentives to enterprises and people. Here is an elementary example: If we decide that it is advantageous for us to have people build housing, we build into our tax legislation an opportunity to exempt an individual from the payment of taxes on the amount he spends to build his own house or dacha.

[Correspondent] But who is preventing you from doing so? You have the power!

[Pochinok] It would also be nice to change the minds of Yegor Timurovich and Vasiliy Vasilevich (the minister of finance). However, being thrifty managers they are saying that they will only agree to reduce taxes when the treasury is full.

[Correspondent] Do you think that the privatization of enterprises should have been implemented simultaneously with the liberalization of prices?

[Pochinok] It is useless to argue about what should have been done in the past. We should now decide the fate of each large state enterprise immediately: Is it to be closed down, converted to joint stock ownership, broken up, have its director replaced, or perhaps, be sold to a Rockefeller?

Recently, Nechayev and Yeltsin locked horns. Minister of the Economy Nechayev said: The Rostov Agricultural Machinery Plant is performing poorly, it should be closed down. Yeltsin objected: We cannot leave the country without combine harvesters, and I will not allow this! Who is right? Both!

[Correspondent] So, let us convert the Rostov Agricultural Machinery Plant into a private or joint-stock enterprise as soon as possible so that it will take charge of its own future.

[Pochinok] Marvelous, but we have neither enough capitalists nor capital for this. Privatization will take a lot of time.

[Correspondent] How much, in your estimation?

[Pochinok] Between 10 and 15 years, because there are still few owners; some people have not stolen enough yet. The process of privatization makes it possible to accumulate original capital; in the course of this the old system of values has to be broken down, and a new one should be created.

There have been a great many cases in which a most lucrative facility is being auctioned off but people do not show up. Why? It has been carved up by mafia groups! There have been a great many cases in which most employees consent to privatizing an enterprise, whereas a small group is against this, and frustrates it all. This shows how unprepared we are for privatization. However, nothing will change right away even after the conversion to joint stock ownership. They declared the Volga Automotive Plant a joint-stock company, and went right on to set the record for pilferage of spare parts at the plant. Sixty thousand owners is not all it takes. There should be a specific owner who is responsible for the result.

## REGIONAL AFFAIRS

### Abdulatipov Discusses Regional Conflicts

934C0065A Moscow ROSSIYSKAYA GAZETA  
in Russian 9 Oct 92 pp 1, 7

[Interview with Ramazan Abdulatipov, by special correspondent Pavel Anokhin; place and date not given: "How Other Peoples Feel Will Depend Largely on How the Russians Feel"]

[Text] Ramazan Abdulatipov, chairman of the Council of Nationalities of the Supreme Soviet of Russia, shared his thoughts on the problems of constitutional development of the Russian Federation in an interview with a ROSSIYSKAYA GAZETA correspondent before flying to Pyatigorsk for a meeting with leaders of republics of the North Caucasus.

[Anokhin] Ramazan Gadzhimuradovich, just recently, it seemed, having signed the Federal Treaty, we were sighing with relief. But here we have a congress of

mountain peoples of the Caucasus held in Grozny calling on the leaders of the North Caucasus republics to denounce it "as not in keeping with the national interests of the peoples of the North Caucasus." How would you comment on this intention?

[Abdulatipov] Many people will, most likely, remember that two forces were struggling against the Federal Treaty. Some—the unitarianists—were demanding a state without national-territorial formations. The second force reflected the trend toward national and regional separatism and the idea of secession from the Russian Federation. The Confederation of Mountain Peoples is a creation of both, in my opinion.

Despite my emotional nature, I have for 18 months tried to say not a single bad word about the confederation. I believed that my job was to find paths of cooperation with it, and I proposed to the leaders of the confederation repeatedly the building of a new Russian Federation. But my colleagues from the confederation began to imagine themselves to be great politicians and the sole spokesmen for the will of the peoples. Although none, not one people, has thus empowered them. I, say, was delegated to parliament by approximately 333,000 Dagestanis, but who delegated them? Dagestan, say, is represented in the confederation by Khalidov, who is virtually cochairman of its parliament. He is a good boy, my comrade. But not one Avar, not one Dagestani delegated him. Can he speak on behalf of the people? Although on many points I could, perhaps, have supported him even. Is renewal necessary? Yes. Is a more flexible entry into the reforms needed? Yes. Is a change of the conservative, even, perhaps, mafia structures which have been formed needed? Yes. But we need to do all this by taking account of the condition of the peoples and of the way in which these peoples and republics are built into the Russian economic and cultural space, not counterposing them to one another.

[Anokhin] It is heard frequently that the Russian leadership, which lacks a precisely formulated modern nationality policy, is largely to blame for the exacerbation of interethnic relations....

[Abdulatipov] This is a stereotype of the old thinking, when it was said that Moscow was to blame for everything. But give us a normal economy, a successful social policy, and precisely working authorities, and you will have good national relations. Much of what is being presented currently as interethnic conflicts has somewhere around 90 percent socioeconomic and political factors, and only 10 percent is of a purely national nature. A spiritual vacuum has at this time formed in people, who have moved away from one ideology and have not arrived at any other. For them the national idea has proven the closest. This is why various political squabbles are being repainted in national colors. Are the relations of Russia and Chechnya a national issue? Nothing of the sort. This is a process of the normalization of federal relations. We had the same arguments

with Tyumen Oblast. Are the relations between Abkhazia and Georgia only merely a national problem? Georgians are freedom-loving people, who were the vanguard virtually of our spiritual culture and demanded independence for themselves from the center, but today some of their politicians are behaving ten times worse in relation to the peoples living among them. But what next? Will Abkhazia treat the Greeks even worse? And the Greeks adopt an even worse attitude toward the Jews? This is a slave's mentality—taking things out on whoever is inferior to you in terms of size of population.

Or economic problems—is this a nationality issue? National movements in the North Caucasus have in fact been placed at the service of those same old power structures. But, whereas earlier a minister who had been caught embezzling could be removed, if only by a decision of the party obkom bureau, try getting rid of him today. He would immediately call in aid his kinsmen and talk about national derogation. Many leaders of national movements have become involved in the allocation of portfolios. Those who have not come in for a portfolio take to the street, and those who have, they are in the building opposite them. Is this where the national boundary runs? No, of course not.

[Anokhin] To judge by the North Caucasus, say, one has the impression that many national conflicts have arisen on account of territorial claims....

[Abdulatipov] Once again, the territorial question is not a national, but political-legal, question. Scholarship knows that the ethnic settlement of a nation and its political formation coincide in virtually no people. I, for example, recall that when I was involved with Karabakh and paid a visit, I was presented with a work 250 pages long, proving that Karabakh was Armenian. And in Baku I was presented with 90 pages of a text which, printed some time later, also proved, beginning with Herodotus, that this territory is Azerbaijani. Can we speak about territories today in a civilized society? Remember that after World War II, everyone agreed to fix the borders which were authentic. But we are starting to revise them. This will lead to tragedy.

In addition, until we stabilize the economy and policy, we cannot decide territorial questions. This is possible in a very calm state, thanks to mutual concessions.

The Chinese say that if there is accord, even clay turns to gold, but if there is no accord, gold turns to clay. Thought should be given to the fate of one's people. Nationalism aimed against another people will necessarily have a boomerang effect against one's own. And it is necessary to think very carefully before taking active steps in disregard for the interests of other peoples and before becoming a barrier in the way of the revival of the Russian Federation.

[Anokhin] Where, then, is the root of the evil? Whence the present provocations, which, setting the peoples against one another, are resulting in tragedy?

[Abdulatipov] Following the fall of the old structures, there was a certain power vacuum, into which various groups of the national elite have streamed. In the name of the assertion of their ego and their place in this structure, they are prepared to disregard everything, including the fate of their own people. A process of the redistribution of power is under way. And this means the most acrimonious struggle against one another.

What does securing access to power mean today? It means securing access to material resources, to privatization; it means securing access to the acquisition of the land. For this reason each national group is struggling to ensure that its elite gain the upper hand.

[Anokhin] Speaking of the national problems of the North Caucasus, we cannot gloss over the Russian refugees, who have come practically to be driven out of their places of habitation.

[Abdulatipov] I would like to tell you that fewer Russians are being driven out of the Caucasus than out of the Baltic, say. There has not been nor is there in the Caucasus such humiliation of Russians as in the Baltic. And there must not be! People of the Caucasus should have, I believe, as part of their national dignity a feeling of gratitude toward other peoples and a desire to cooperate with them. Granted the critical attitude toward the past, we truly obtained many cultural assets from Russia. I remember when a Russian teacher came to my remote mountain village and taught me the language. She taught better, incidentally, than the way my brothers and sisters are teaching their fellow tribesmen in their native village today. I harbor toward her an unforgettable sense of gratitude.

And why should the Russian who came to be in Dagestan and who was treated very well not have the same sense of gratitude? And, the other way about, toward the representatives of Dagestan living in Russia? There are in Moscow and around Moscow approximately 10,000 specialists of the highest qualifications from this republic, working in research and medical institutions and rendering Russia assistance and support also. Relatives of mine work in Belgorod and Ivanovo Oblasts as teachers and doctors in remote rural hospitals and schools.

[Anokhin] Some Russian people are afraid that the North Caucasus, having united with Muslim states, Turkey or Iran, say, will secede from the Federation, cutting off from Russia the Black Sea region. Are there grounds for this concern?

[Abdulatipov] I understand when this is served up as a political forecast. But when such a thing is foisted upon us daily via the press—this also is work with a purpose geared to the destruction of the integrity of the Russian Federation. I may say that Dagestan does not conceive of itself without Russia, and this has been emphasized at various levels repeatedly. Out of respect for the nine percent of Russians who live in Dagestan, we have not adopted a sovereignty declaration. Of course, there are forces which want to embroil the peoples. Do you know

how many people have gotten rich at the expense of Armenian and Azerbaijani refugees? Thanks to the sale of their property and acquisition of their apartments? Mafia structures have laid their hands on billions, stimulating and provoking these processes.

Today there are forces in other regions also which would like at the refugees' expense virtually to acquire apartments and buy up property, not even providing freight cars, so that those leaving might carry away their belongings with them.

[Anokhin] It is well known that there is a large migration of Russians from Chechnya. An outflow from Kabardino-Balkaria and Karachay-Cherkessia has begun also, however distressing. What is causing this, in your view?

[Abdulatipov] In the former Union even, beginning with the Karabakh events and then the Baltic, we put Russians in an awkward position, unfortunately. We have begun in fact to turn the biggest European nation into a national minority. And this will be paid back to and echoed in many peoples around Russia or within it. I have emphasized repeatedly that the state of other peoples of Russia and the former Union will depend largely on how the Russian nation feels. Speaking in the United States recently, I said that the conversion of Russians into a national minority and the endless proving of their decline could be turned not only against the peoples of the former Union but against Europe and America also. We need to try to comprehend the state of the Russian people a thousand times and a thousand times to apologize to the innocent people.

It seems to me that in speaking about the civilized democratic West, many radicals are hardly asking: What happened to the dozens of peoples and ethnic groups in, say, France? Italy? They were assimilated by large nations. In Russia, granted all the contradictions of this process, which occurred under tsarist autocracy, even under Stalin, we have preserved our own language and our own culture. We have preserved them alongside such a large people as the Russian people. And this only thanks to their spiritual distinctiveness and high ethical spirit.

We have gotten many things mixed up. All the mass media are reporting that Russia has not come to an understanding with Tatarstan or Chechnya. This is an entirely mistaken understanding of the situation. There are disagreements between the federal organs of power and the organs of power of a given republic. But there are no wars and contradictions between Ryazan and Tatarstan. We need to get away from such an interpretation of Russia itself. A process of a treaty between the subjects of power, of the Federation, is under way in this case. And we should be preserving Russia, like all its peoples, not counterposing them to anyone.

**Dudayev Attacks Khasbulatov, Shevardnadze**

934C0081B Moscow ARGUMENTY I FAKTY  
in Russian No 40, Oct 92 p 4

[Interview with Dzhokhar Dudayev, president of Chechnya, by ARGUMENTY I FAKTY correspondent A. Sargin, place and date not given; published under the heading "The Division of the Peoples of the Caucasus Does Not Lead to Peace": "Hello, Dzhokhar Dudayev on the Line"]

[Text] The president of Chechnya let himself be heard once again: The other day "Vesti" broadcast his latest threat against Russia.

Our correspondent A. Sargin got in touch with D. Dudayev by telephone and asked him to answer a number of questions.

[Sargin] Dzhokhar Musayevich, how is one to interpret your recent appearance on "Vesti"—the summons to a holy war of Chechnya against Russia?

[Dudayev] Those are old film clips taken in the period of the declaration of a state of emergency in Chechnya and the introduction of troops there. But recently I have had no reason to make such statements. This fabrication is useful most of all to Shevardnadze—after all, it was announced over TV that the clips were obtained in the Ministry of Internal Affairs of Georgia. During the elections it was necessary for him to distract attention.

[Sargin] What is your attitude toward a possible Yeltsin visit to Tbilisi?

[Dudayev] A Yeltsin visit will give the leadership of Georgia legal status: Both the meeting and the negotiating table create the illusion for Shevardnadze and his people that they are on equal terms, and that they can talk to the head of the Russian state with full rights. But in the eyes of the world community, without any doubt, the leadership of Russia is failing: Today banditry is encouraged here, tomorrow, in another place, but these actions are wrong.

[Sargin] What do you think about the possible creation of a North Caucasus Republic?

[Dudayev] For today a North Caucasus Republic is narrow. There will never be peace in the Caucasus this way. The Caucasus must unite and create its own Confederate Union. On the basis of equal and full rights and the freedom of choice of any people, regardless of numerical strength, after granting everyone independence, as was done, for example, with our own Ingush brothers. If they want to build their own state—on a good path.

[Sargin] Is it true that you and Khasbulatov are conducting secret negotiations by telephone?

[Dudayev] I am able to assure you that I have not had any contacts with Khasbulatov at any time, and that this cannot be, as long as Khasbulatov betrays the interests of

his own people. All the provocations that occur here and all the terrorism come from Khasbulatov.

[Sargin] Russia's terrorism with respect to Chechnya?

[Dudayev] Exactly so. And the blockade—economic, financial, and by air is occurring on his instructions and under his direction.

[Sargin] What do you think of him as a political figure and as a person?

[Dudayev] I do not know him as a person, and I have seen him only once. But as a result of his activity in the Supreme Soviet it is apparent the Supreme Soviet is worse and more dangerous for Russia than the Politburo. We have already declared three times that all of the deputies from Chechnya have lost the right to a deputy mandate, just like the entire Supreme Soviet of Russia. But it is not even a question of Khasbulatov and the deputies. The deputies know very well that to remove Khasbulatov means to dissolve themselves. And so one hand washes the other.

[Sargin] How are your relations with Z. Gamsakhurdia.

[Dudayev] I will say that we have a kind of family friendship. Gamsakhurdia is the legally elected president of Georgia who was forcibly removed from power together with his parliament.

[Sargin] Do you play billiards together?

[Dudayev] There was an instance when we played once. Both he and I are poor billiard players. Indeed, there really was no game: The billiard balls simply rolled around.

[Sargin] I saw how you did pushups on TV. But how about Gamsakhurdia and sports?

[Dudayev] Gamsakhurdia is not into sports very much. I work out systematically once or twice a week from eleven at night until two in the morning. With gymnastics, ping-pong, tennis, and karate.

**Tatarstan Declared Nuclear-Free Zone**

934C0065B Moscow ROSSIYSKAYA GAZETA  
in Russian 9 Oct 92 p 1

[Unattributed report on Tatarstan Supreme Soviet statement: "Nuclear-Free Territory"]

[Text] Tatarstan has been declared a zone free of weapons of mass destruction.

"Expressing the interests of society," a statement of the Supreme Soviet says, "the republic undertakes not to manufacture and not to store fissionable materials or other components intended for the manufacture of nuclear weapons and weapons of mass destruction."

**Chairman of Chuvash Supsov Interviewed on Elections**

934C0073A Moscow FEDERATSIYA in Russian No 38.  
17 Sep 92-23 Sep 92 p 3

[Interview with Eduard Alekseyevich Kubarev, chairman of the Supreme Soviet, by Aleksandr Kastravets, correspondent of FEDERATSIYA: "An Ultimatum Is an Unreliable Thing"; place and date not specified]

[Text] **Eduard Alekseyevich Kubarev is 52 years old. By profession he is a civil engineer. As of August 1991 he is the chairman of the Supreme Soviet of the Chuvash republic. Our correspondent met with E. A. Kubarev during his recent trip to Moscow.**

[Kastravets] Eduard Alekseyevich, already 1.5-2 years ago, we talked about the fact that power in our country belongs to the Soviets. Today there is no Soviet power in the former sense. To whom does power belong in the Russian Federation?

[Kubarev] In my opinion, power in our republic nevertheless to a greater degree is popular power. Contrary to the original recommendations of the Supreme Soviet of Russia, we have gone in for general elections of the heads of administrations of all levels. We were told: The people will give preference to the former nomenklatura. Nothing of the kind—those who in former times did not [as published] have authority were defeated also in the present elections. Among the new heads of administrations there are quite a few managers with democratic views, people full of initiative and with independent minds. Today we do not have disagreements and conflicts in our republic between representative and executive powers because both the deputies and the heads of administrations were elected by the people.

[Kastravets] How did people in Moscow react to the election campaign in Chuvashia?

[Kubarev] The leadership of the Supreme Soviet of Russia supported us in the end, understanding that the republic is not an ordinary one: 68 percent of the population are Chuvash, more than half of the inhabitants of the republic live in rural localities, what is more the population density in our republic is sufficiently high—74 persons per square kilometer.

The chairman of the Russian Union of Industrialists and Entrepreneurs, Arkadiy Volskiy, is convinced that "we need a strong authority, since to exist in a country where anarchy reigns, is impossible."

[Kastravets] What power do people nevertheless need?

[Kubarev] The majority of our people until recently did not believe that any changes can begin thanks to their efforts. The command-administrative system during the years of stagnation did not encourage independence. During the transition period, the administrative will of

the government—both in Russia and Chuvashia—is simply not perceived by many.

[Kastravets] There is a reason for this: Dozens of orders and ukases are not being carried out at the local level.

[Kubarev] This is why Volskiy at this stage is right. But the state must always be concerned about its strength. It is another matter that today the administrative will must not be built on the principles that were held in high esteem in our country for 70 years, but on high professionalism of the executors, their honesty and decency. And, of course, not in last place must be the desire of those who are at the helm of power to carry out the reforms not merely on paper. But the reforms are moving forward with difficulty and against great resistance. One of the reasons lies in the fact that the former apparatchiks cannot work otherwise, they simply do not know how, they are used to act only under pressure.

[Kastravets] But if previously the pressure proved to come from the center, today the ultimatums frequently come to Moscow from the republics. What is your attitude to the declaration of the leaders of Tatarstan, Bashkortostan, and Yakutia that the budgets of the republics must be formed independently and that it is necessary to leave the income in the regions?

[Kubarev] Today the center has enough problems and difficulties. This, indeed, must be understood. It is possible, of course, to criticize Moscow from the platform, demanding greater independence, but one can also pursue a different path—to take this independence, developing new systems, acceptable both to the center and the republics. The language of ultimatums is unacceptable to me and to Chuvashia. Our republic is extraordinarily integrated, we receive 87-90 percent of the raw materials and resources from other regions of the Russian Federation.

[Kastravets] But does it not appear to you: Yakutia, Tatarstan, and Bashkortostan dictate their conditions because they are rich in raw material?

[Kubarev] Perhaps, that is how it is. But the leaders of these republics are wise people, and I think that their actions are dictated first of all by their concern for the well-being of people. It is necessary to solve disagreements through negotiations.

**Ukase on Aid to Khakassia**

935D0015B Moscow ROSSIYSKAYA GAZETA  
in Russian 23 Sep 92 p 5

[Ukase of the President of the Russian Federation: On Urgent Measures To Provide State Support for the Economy and Development of the Social Sphere in the Republic of Khakassia During 1992-1995"]

[Text] In order to support the economy of the Republic of Khakassia under conditions of transition to market relations and giving due consideration to the low level of

development in the social sphere of the newly formed republic, I decree as follows:

1. To establish that the Republic of Khakassia Council of Ministers independently market up to 20 percent of the volume of output (work, services) produced by enterprises on the territory of the republic, this being registered with respect to the export quota by the Russian Federation Ministry of the Economy and interested ministries.

Decisions on issuance of licenses to export output within the limits of the quota indicated are made by the Republic of Khakassia Council of Ministers with subsequent registration of licenses through the Russian Federation Ministry of Foreign Economic Relations empowered to do so in the Republic of Khakassia.

2. To permit the Republic of Khakassia Council of Ministers to purchase up to 10 percent of refined gold recovered at gold-mining enterprises located on the territory of the republic for the production of gold-containing technical and jewelry articles, and also for other purposes in accordance with established procedure.

To give the Republic of Khakassia Council of Ministers the right to acquire gold recovered on the territory of the republic over and above the quota agreed with the Russian Federation Ministry of Finance to form a deposit fund for the republic.

Gold acquired for the deposit fund shall be handed to the Russian Federation Ministry of Finance Committee for Precious Metals and Stones for storage.

3. To establish that 20 percent of the hard currency earned from the sale of gold recovered in the Republic of Khakassia shall be sold to the Republic of Khakassia Council of Ministers to form a republic hard currency fund at the ruble exchange rate determined by the Russian Federation Central Bank.

4. To permit enterprises and organizations located on the territory of the Republic of Khakassia to include in the prime cost of output (work, services) produced costs in the amount of one percent of prime cost to form a Republic of Khakassia Council of Ministers special off-budget fund to provide additional funding for development of the social sphere, agriculture, and the food and processing industries.

5. To exempt enterprises and organizations located on the territory of the Republic of Khakassia from payment of customs duties on output produced on its territory within the limits of the export quotas of the Republic of Khakassia Council of Ministers, when export earnings are used to acquire from abroad food, medicines, and equipment for the food and processing industries and agriculture.

The Republic of Khakassia Council of Ministers together with the Russian Federation Ministry of Finance will monitor proper use of the privileges with respect to payment of export tariffs.

6. The government of the Russian Federation will do the following:

- allocate for the Republic of Khakassia Council of Ministers from the Russian Federation republic budget 100 million rubles [R] in 1992 for the construction of group water pipelines and irrigation systems, and R200 million in 1993, with subsequent increases of 10 percent in this sum annually;

- allocate to the Republic of Khakassia Council of Ministers during the period 1992-1995 a total of 100,000 tonnes of concentrated feed annually for the needs of agriculture.

- introduce from 1 August 1992 on the territory of the Republic of Khakassia a regional wage coefficient of 1.3. To establish that costs associated with introducing this coefficient are covered using assets of enterprises and organizations and, in accordance with the proposal of the Republic of Khakassia, from its budget.

7. In order to bring proper order to the economic relations between Krasnoyarsk Kray and the Republic of Khakassia, the Russian Federation State Committee for the Management of State Property will with the agreement of the Russian Federation Ministry of Fuel and Power Engineering form the Khakasenergo state enterprise as part of the Krasnoyarskenergo Production Association.

To establish that all power engineering enterprises located on the territory of the Republic of Khakassia maintain accounts with the Republic of Khakassia republic budget independently in accordance with legislation of the Russian Federation.

8. The Russian Federation Government Committee for Geology and Use of Minerals shall do the following:

- make provision for increases in the volumes of geological survey work in the Republic of Khakassia aimed at looking for gold deposits, increasing this work by a factor of 1.7 during 1992-1995 compared to 1991;

- organize surveys of deposits of natural gas on the territory of the republic.

9. To agree with the proposal of the Republic of Khakassia Council of Ministers on opening an international airport in the city of Abakan.

To assign the Russian Federation Ministry of Transportation together with the Republic of Khakassia Council of Ministers and interested ministries and departments of the Russian Federation to take steps associated with opening an international airport and organizing flights along the route Abakan-Kharbin—Abakan in 1992.

10. To adopt the proposal of the Republic of Khakassia Council of Ministers to create on the territory of the republic conditions for offering foreign investors opportunities to engage in entrepreneurial activity for the purpose of further economic development in the region.

The Republic of Khakassia Council of Ministers and the Russian Federation Ministry of Finance will draw up a program and conditions for attracting foreign investors into the Republic of Khakassia.

[Signed] B. Yeltsin, president of the Russian Federation  
Moscow, the Kremlin  
16 September 1992  
No. 1073.

### Christian Democrats Promote New Moscow Mayoral Candidate

934C00854 Moscow KURANTY in Russian 23 Sep 92  
p 1

[Article by Yelena Tarasova: "Another Candidate for Mayor"]

[Text] The Russian Christian Democratic Movement's Moscow party conference has ratified its candidate for the possible elections of the capital city's mayor. He is Ilya Konstantinov, an economist, people's deputy, and member of the Russian Supreme Soviet.

The Christian Democrats are confident of his victory for two reasons: First of all, I. Konstantinov has been ensured the support of the Russian People's Assembly and the All-Russian Labor Conference (he is chairman of both). Secondly, the candidate has a "program thoroughly worked out in all details." Its basic principles, as Vladimir Shmakov, member of the All-Russian Labor Conference buro, announced to our KURANTY correspondent, is "to bring about strictest discipline in the city and to fight corruption."

### Economist Piyasheva Reflects on Work in Moscow Mayor's Office

934C0085B Moscow KRASNAYA ZVEZDA in Russian  
14 Oct 92 pp 1,2

[Interview with Larisa Piyasheva, head of the Department of Marketing and Management at the Moscow State Open University and doctor of economic sciences, conducted by KRASNAYA ZVEZDA correspondent Oleg Falichev: "The Main Goal of Reforms Is To Elevate Man"]

[Text] Calling card: PIYASHEVA, Larisa Ivanovna. Born in 1947. Graduated from the Moscow National Economic Institute imeni G. V. Plekhanov in 1969. Worked at the USSR Academy of Sciences International Worker's Movement Institute economic section from 1969 through 1991.

From November 1991 through September 1992—worked in the Moscow mayor's office as deputy general director of the mayor's department.

At the present time she heads the Department of Marketing and Management at Moscow State Open University.

She holds the degree of doctor of economic sciences, is married and has two children.

[Correspondent] Larisa Ivanovna, the readers of KRASNAYA ZVEZDA, wherever they may live, would, I believe, be interested in meeting a person whose candidacy has been presented for the post of mayor of Moscow. As for Moscow residents, many of them are puzzled by your recent unexpected departure from the city administration.

[Piyasheva] You understand, here is the thing. Since 1987 I have been an active propagandist of the free market, of the transition to market reform. I had and continue to have my own program for this transition, and a developed set of measures. There was a certain recognition abroad... Perhaps this may sound immodest, but it was as if I embodied the liberal economic idea. Therefore, when Gavril Popov invited me to engage in economic reform in Moscow, I was excited about it...

For the first two months we worked like crazy, together with the "command." In fact, in two weeks we set up a program for privatization of trade, consumer service, and the sphere of services. And we immediately stressed the primary part of the reform in Moscow. But...

There turned out to be a few objective obstacles. The primary one was the presence of the bureaucrats in the Moscow government. We proposed giving or selling property, as soon as possible, to Moscow residents at balance cost. The labor collectives could become its owners. Yet there was some opposition to this in the Moscow government: No private property, only its leasing. What was the sense of this? This made it possible to control the entire process, to tell those same sellers and directors how they should trade, and to set lease conditions for them...

[Correspondent] Yet the mayor's office, where you worked, is indeed the government. Why did they dictate the conditions to you, and not the other way around?

[Piyasheva] Immediately after the decline of the old system, the implementation of economic reform in the interests of the people was evidently the strategic line of the leadership in the mayor's office. And my invitation was, I believe, sincere. Then Popov's plans evidently changed, faith dried up, and the liberal ideology was needed only to cover up the apparatus changeover of ownership. I had the image of an honest person, and what did the people think? Since Piyasheva is engaging in privatization, that means everything is honest...

[Correspondent] And was it, in your opinion, being implemented dishonestly?

[Piyasheva] Alas... Everything changed from the moment the ukase on giving the Moscow mayor additional powers and authorities was signed. That day became the fateful one for us. We believed that the ukase worked toward the development of our reform. But it turned out just the opposite. To sell everything at auctions, at the highest price possible. Why? So that the "true" owner could emerge, who has a great deal of money. And who had it? Either those who had stolen it earlier, or the stockbrokers who had amassed a great fortune through the price differentials.

[Correspondent] One might get the impression, Larisa Ivanovna, that in an "attack" on the power structures, you are now spilling forth your discontent. Specifically now, you must agree, it is very easy to reproach someone for being prejudiced. Could it really be that for you, an economist, it was difficult to understand all this right away and, as they say, to put the question point-blank?

[Piyasheva] For a long time, I was getting distorted information from goskomimushchestvo [State Committee on Property]. Sometime in February we called together the directors of the enterprises and trade centers. After my speech, I asked those who already had certificates of purchase-sale to raise their hands. And in the huge auditorium, where there were hundreds of people, not a single hand was raised. It turns out, there was no privatization as such?

As it turned out, the applications for privatization were carefully accepted, filed, and even reviewed. The applicants were told: Pay the money. The people paid the necessary sums, but were never issued the certificates of purchase-sale evidencing the receipt of the property. That was the entire mechanism.

Then I was isolated from all matters altogether, and not even asked to the meetings. They even told me: You are not needed.

[Correspondent] Not a happy story. It is especially difficult for a simple person to understand all these economic fine points. It is interesting, how did your Western colleague economists evaluate all this?

[Piyasheva] They support me, even though it is very difficult for them to understand what is going on here.

[Correspondent] ...But if that is so, what can we say about the recommendations of the International Monetary Fund, according to whose scenario we are now living?

[Piyasheva] The IMF gives underdeveloped countries money on credit. And whoever gives it is interested in the borrower having convertible currency, a balanced budget, and a financially stable situation. And they have the right to present their demands. But ultimately, the IMF has played a negative role in the development of our reform due to its unwillingness to consider our specifics in any way...

But the main trouble lies with us ourselves. Remember how much time Gorbachev spent travelling abroad in search of credit. How much he staked on this card? He thought that if they gave us money in the West, he would be able to implement reforms. The money is needed. But even more necessary is the political will for transformation, a prudent economic program and, I must say a seditious thing for our time—a firm hand which would be able to realize this program. We must clarify the main thing: How to create conditions for the formulation and uplift of national business and enterprise. How to make it so that a significant portion of the enterprise does not enter an economic bottleneck, and so that we do not enter a stage of deep depression.

[Correspondent] Let us leave the global problems and return to Moscow. In what condition, in your opinion, is the economy today, the streets...

[Piyasheva] Here, I believe, my opinion coincides with that of all Moscow residents. We have never lived under worse conditions. It is sad to see all this. I grew up in Moscow and was never afraid to walk in the yard of my own house. Every time I enter my driveway, I feel that this is not my house, not my driveway: There are always strangers here. It is always dirty, everything is broken... This used to be my city, my yard. Today we live as temporary residents, not having the opportunity to influence anything or to do anything. Even that which used to be—squares, hedges, and benches—is disappearing.

[Correspondent] Excuse me, Larisa Ivanovna, but how could you, a person working at the very Olympus of city authority, tolerate this? Could it be that you did not have enough authority?

[Piyasheva] For the duration of the entire period that I worked there, the Moscow government was involved in one main thing: Dividing up property. It decided what should belong to Moscow, and what to Russia, who the railroad stations, airports, and CEMA building should belong to... How to obtain currency revenues from renting out buildings, hotels, and houses for use as commercial structures. A large portion of the time went for solving specifically these problems, while the city and social problems were left in the background.

[Correspondent] Could this be the reason for the crime rate? Is its upsurge, in your opinion, the result of the helplessness of the authorities, or...?

[Piyasheva] I believe it is corruption. In our country, with its traditions in the sphere of bringing about order and "tightening of the screws," we need not speak of helplessness of the ruling structure. It is specifically suppression that has always been our strong point. And if we had taken on the goal of really putting an end to crime in Moscow, where the centers of administration of all the power structures are concentrated, the investigative and punitive apparatus, I believe we could do away with it in a few months. But then if order is brought about in the

city, it must extend not only to the gangsters and rank-and-file citizens, but also to the highest bureaucrats...

[Correspondent] They say that the center of Moscow has already been sold to foreigners?

[Piyasheva] Let us take a stroll down Tverskaya Street and take a look whose stores are located there. Primarily those of foreigners. There would be nothing bad in this if only, aside from thoughts of dollars and marks, some of our state fathers would also experience patriotic sentiments and think about the priorities of Russian business, about their own people. My patriotism, for example, what is it based on? We must give, help, and stimulate our own people. We must love our own people. Of course, without assuming any nationalist or chauvinist positions. But when I worked for awhile in the mayor's office, I understood: A huge number of projects which were profitable for Moscow were rejected at the outset. Why? Because of a lack of civic position by some of the workers. I might add that recently I heard on the radio that the court found the deal of the mayor's office with the commercial structure "Kaluzhskaya zastava" on the sale of land in Moscow at cut-rate prices to be unlawful.

[Correspondent] Today everyone hears about the "voucher." What will it give to each of us? Does it not seem to you that the sum of its valuation is laughably small?

[Piyasheva] First of all, we must understand: What has happened? They have divided up all public property into two unequal parts. The first, larger one, is that which is generally not subject to privatization: Land, natural riches, large enterprises, and transport... However, the smaller part, the one which is being privatized through vouchers, comprises only 10 percent of the all-people's property. It is this tiny little portion which is being divided up among us through the vouchers. This is what determines their price. Yet the lion's share remains with the state.

Secondly, everything that is being privatized has been appraised in 1991 prices. And further, all small-scale privatization must, according to the plan, be implemented through commercial competitions, or auctions at market prices. It turns out that a store which cost 100,000 rubles (R) could before be purchased for vouchers by two or three families. Today it costs R3-5 million at the auction. Yet the check is for R10,000. How many families must join together in order to buy it? This is unrealistic.

[Correspondent] Nevertheless, Larisa Ivanovna, what about the vouchers? What should people do with them?

[Piyasheva] My advice is not to do anything with these vouchers for the time being. We will fight to see that all property will be subject to them. We will demand from the government that it adopt a program of public privatization. And if we achieve this, the voucher will take on great weight. This is the pivotal point of my pre-electoral

program: Privatization for the people and in the name of the people, and not for the nomenclature bureaucrats.

[Correspondent] Well, that is a noble goal. But here is the question: The army is a segment of society, a part of the people. What can our brother the military man expect from privatization? After all, the plant workers may privatize a plant, receiving preferred stock. The peasant may receive land on privileged conditions. The salesman—a store, and the waiter—a restaurant... But what is there for a man in epaulets to privatize—a tank, a cannon, a ballistic missile? I am, of course, exaggerating, but will we not be left, as they say, on the threshold of the market with our interests?

[Piyasheva] If according to the current program—yes, we will. Here I agree with your formulation of the question. But in general, military men have much property, that which is subject to privatization: Military towns, military plants, facilities...

[Correspondent] Excuse me for interrupting, but all this belongs and must belong to the state. Even in the West the question is not posed in such a way that an officer must also be a businessman, that he has the right to privatize, for example, a part of a military-naval base. There such conditions have been created under which an officer does not have to think about engaging in business, or about privatization of property. By his status and position he is in the central strata of society, even closer to the upper ones, and has the opportunity, upon retiring, to buy a house, a farm, or land for his savings...

[Piyasheva] Here, of course, very extensive reform is needed. There must be state programs for integration of military personnel into civilian life. I would reduce the numbers of the Armed Forces. I would help to place and re-train those who have retired, help them obtain real property. But the remainder of the army I would make strong, well equipped, and combat ready. And, of course, not corrupted by commerce. The military man is a state person, and must be socially protected. His salary cannot suffer from price hikes and inflation. In short, officers must be one of the privileged strata of society.

[Correspondent] One last question, Larisa Ivanovna. Today the attitude of the people is not the best. The decline in production, the impoverishment of a significant portion of the population... If we summarize our conversation, what should we do for the resurrection of the Russian spirit and the moral health of the nation, without which the resurrection of Russia as a great independent state is impossible?

[Piyasheva] I will emphasize the main thing. Return ownership to the people. Return economic freedoms, civil rights and dignity. Make a person, a citizen living on this land, figuratively speaking, the center of the universe. The law must protect the people in every way possible against the tyranny of bureaucrats, the violence of criminals, and the pseudodemocratic actions of the nomenclature.

We must necessarily strengthen the legal base. The elevation of the honor and dignity of man—that is the main goal of reform. If this is lacking, all else is fiction.

### Moscow's Southern Okrug Prefect Defines Problems Facing City

934C00874 Moscow MOSKOVSKAYA PRAVDA  
in Russian 30 Sep 92 pp 1,2

[Interview with O. Tolkachev, prefect of Moscow's southern administrative okrug, conducted by correspondent O. Mikheyev: "We Must Give People the Opportunity To Find Themselves in the New Conditions"]

[Text] He received perhaps the most difficult sector of Moscow. It is the most populated okrug—a million and a half residents. It has the most industrial plants. Just take the Paveletskiy industrial zone alone (over 50 enterprises!). Then there are the endless "bedroom" communities—that means the public transport is jammed with people, and the roads with automobiles. The status of the environment in some places is at the critical margin, or already beyond it.

What can the prefecture do to resolve Moscow's "eternal" problems, and what is it doing? This was our topic of conversation with the prefect of Moscow's southern administrative okrug, O. TOLKACHEV.

[Correspondent] Oleg Mikhaylovich, I have no doubt that the main problem for the population, and this means also for the prefecture—is that of housing. In your okrug there are around 125,000 people on waiting lists, for whom it is necessary to build no less than two million square meters of housing. Is this a realistic prospect?

[Tolkachev] This really is the number one problem. In recent years, apartments were often allocated to anyone at all, except to those on the waiting list. Today we are bringing about order in this respect, and these people are getting the greatest part of that which the city is handing over to the okrug. We are also seeking new means and attracting the funds of commercial structures. We have some preliminary experience in this regard: Several residential houses are being built or re-built by investors themselves. They receive 30 percent of the living space in these buildings, and the rest they hand over to us for assignment to people on the waiting list. The first houses reconstructed at the expense of investors are already being rented this year.

[Correspondent] There is an excess of industrial zones in the okrug. It is difficult for people to live next to plant installations and smokestacks, in smoke and dirt. Yet they cannot be taken out of Moscow all at once. Does the prefecture have some kind of line in this regard?

[Tolkachev] I would not look at industry from the ecological angle alone. I will remind you that in our okrug we have the—ZIL [Moscow Automobile Plant imeni I. A. Likhachev], the "Dynamo" Plant, "Red Proletariat", the Sergo Ordzhonikidze Plant, the

Vladimir Ilyich Plant, and other famous "firms." I believe that these and many other collectives are our pride, our wealth, and our potential. Here we have workers and a technical intelligentsia which knows how to work. They have become accustomed to earning, and not to begging. As a rule, these plants also do a good job building housing for their workers. I believe that we may achieve something based on a strong industrial potential alone. The task of the local authorities is not to push away the problems of the plants, but to help them to survive and preserve their collectives. And at the same time to firmly hold the ecological line.

[Correspondent] And how do you imagine this firmness?

[Tolkachev] We have the right to create certain privileged conditions of taxation, land use, etc. for those enterprises who utilize ecologically pure and leading technologies. For example, the city government has approved our proposal to introduce such a regimen, something like a specific (not free! this is the principle difference) economic zone for part of the territory between the Warsaw Highway and the railroad in the direction of Paveletskiy. Not one new industry may be located without a guarantee of ecological purity. Well, and to those who are in no hurry to get rid of the old "dirty" technologies or allow themselves to dump unpurified waste, we will impose such fines that they will quickly bring the managers and technical services to their senses.

[Correspondent] The information about the radioactive dump site on kilometer 26 of the circular highway caused much noise at one time. How are things going there now?

[Tolkachev] Radioactive contamination was found not only there, but, unfortunately, also in other places, even in direct proximity from residential houses. I can report that all these points, as they say, have been fully closed—decontaminated, and the contaminated soil hauled away.

But on kilometer 26 everything is much more complex. There the volumes of contaminated soil are so great that about 30 trainloads would be needed to haul it away. Moreover, no one would take such a "gift" for any amount of money. We have embarked upon the only possible path, naturally relying on the conclusion of specialists. With the help of the "Radon" Trust, we have isolated and hauled away the highly active pollutants for burial in special burial sites. The remaining soil, which is practically not dangerous anymore, we are enclosing with a solid fence, so as to close off access to it. This "little fence" cost us nearly 100 million rubles (R). Later we will recultivate the soil and cover it with concrete. This will make it possible to reduce the radioactivity to the natural background level, so that the area may safely be used to organize parking for "long-haul" trucks, buses, etc.

[Correspondent] Now the question about the fate of major urban renewal projects, which at one time had already been worked out in detail by the architects: the

Nagatinskij flood plain, Serpukhovskij gate, community centers in Orekhovo-Borisovo and on the Warsaw Highway, a Russia Center at Borisovskij ponds, and others. Is there some progress, or will all these projects continue to collect dust on the shelves?

[Tolkachev] As the readers of the newspaper evidently understand, now is not the time to take up all these serious projects of all-city significance all at once. Our primary task is to create conditions for those who would like to take them up seriously and would make the decision to invest sizeable funds. At the present time, perhaps, the most well-developed project is that of the "Serpukhovskaya Zastava" joint stock company. This work is being performed under the management of Moskomarkhitektura [Moscow Committee on Architecture].

[Correspondent] There are a number of wonderful monuments to ancient times, history and culture on the territory of the okrug. Many readers are concerned about their status and their fate. What awaits them, and are the okrug authorities doing anything to influence the situation?

[Tolkachev] Kolomenskoye and Tsaritsyno, our pearls, have recently received the status of national monuments. Of course, the okrug cannot take their restoration upon itself. Colossal investments are needed here. I see our task in organizing the normal protection of these ensembles, so that at least what is there will not be dragged off, in removing from these territories production facilities, garages, warehouses, and other urban "growths" which are foreign to them. In Kolomenskoye we will help resolve the question of vegetable gardens, and will restore the village of Dyakovskoye. Believe me, even this endeavor requires great effort and funds.

[Correspondent] It seems to me that you were the first among the Moscow okrugs to think of giving new life to the so-called "a" facilities—bomb shelters, of which many were built in the city at one time. Perhaps there are also some ideas on how to resolve the garage problem which is so tormenting to automobile owners?

[Tolkachev] Yes, we have won the right to build structures over these monuments to the "cold war." After all, these are wonderful ready-made foundations, with a full set of engineering communications. We will build 3-4-story buildings on them and house the people on waiting lists. Work has already begun at a number of sites.

And as far as the garage problem, I see only one solution. We need large garage cooperatives, in order to build multi-level parking structures, while the "shanghais" which are now built should be demolished as the cars are moved to such parking lots. I believe we will build two or three such structures already this year.

[Correspondent] Perhaps it is better to hand this matter over to private owners. There would be more order. By the way, Oleg Mikhaylovich, are there many of them in the okrug today?

[Tolkachev] Over a thousand small trade, public dining and consumer services enterprises have passed into private hands, and the overwhelming majority—to labor collectives. This "mild" regime of privatization has made it possible to quickly set its mechanism in motion and remove unnecessary conflicts.

[Correspondent] But there are probably also those who have neglected their former task and taken up another, more profitable one? Are you able to defend the interests of the residents in such cases?

[Tolkachev] Private owners are clever folk. According to our estimates, somewhere around one-third of them, having bought their stores, cafes, etc., later change their product description, leaving the population without goods or services. Now we are placing the emphasis on "monitoring" the consequences of privatization. For one year, buildings or facilities, as a rule, are still not transferred over to full ownership by the new owner. Here we still have time to take measures and once again put the building up for bid, if the new owner, for example, has turned a former bakery into a store selling imported junk.

After the first year of operation, the building becomes the property of the new owner. Therefore, we are now closely watching to see how new owners are using the object of privatization, and are taking effective measures. We are decisively bringing about order also with the location of trade tents on the okrug's territory. Either get a license with all the circumstances which this entails, or the tent must be removed.

[Correspondent] And when will private beer bars and small restaurants appear in the okrug? As we recall, at the beginning of the year much was said about the fact that the city administration would stimulate their emergence in every way possible?

[Tolkachev] In some places they are quietly appearing. And I would not even say that the main problem is in overcoming some external, objective difficulties: A shortage of funds, buildings, currency, etc. All these, of course, are serious hindrances, but the main reason lies elsewhere. It is difficult to find people who would like to take on a matter necessary to the population and would see a profitable business in this. Do you know what our so-called business people often tell me in confidence when I try to fire them up with this or other similar idea? Something like: "What do I need your little restaurants for? A mouthful of worries and fuss, and little profit. Why, I will push three kilograms of tungsten or cadmium, or maybe thorium or cesium in the West...and in a moment I will collect a profit which such a little restaurant will give in five or ten years."

This is the main problem: To seek and find people who think not only about how to grab profits faster, but also about the city in which they live, about the people around them.

[Correspondent] Today in the "third estate" this style is still not customary. Perhaps our newly-baked businessmen must still grow into it...

[Tolkachev] I cannot agree with you. It is just that, as yet, a very narrow circle of people have entered business, started their own undertaking. Yet I believe that we need to involve the broadest possible circles of the population in small business, and primarily in the sphere of services. Such opportunities are today emerging, and the task of the local authorities, including also the prefecture, is to utilize them as quickly as possible. A rise in unemployment is predicted for the Fall. It is important to open the doors to small business, to set its mechanisms in motion. We must give people the opportunity to adapt to the new strict market conditions of life, so that they would seem humane to them, and not degrading.

This, as far as I can judge, is the principle direction of the city government. I might add that my answers to your questions stem from the conception of development of the okrug which the prefecture has developed and is today fulfilling with the active participation and support of Mayor Yu. M. Luzhkov and the entire city administration.

I believe the municipal authorities can do much in this direction. Perhaps today this is even our main task. The price for its resolution is the stability of the social situation, and the possibility of proceeding along the path of reform.

#### **Secrets of Moscow Administration's Dacha Village Revealed**

934C0056A Moscow MOSKOVSKIY KOMSOMOLETS in Russian 15 Sep 92 p 2

[Article by Andrey Semenov: "Secret Salvation Plan No. 2—of Serebryanyy Bor, Moscow Government, and Muscovites"]

[Text] Russian laws are like its roads—full of potholes and ditches. A smart guy will drive around them; a simpleton will bump his head.

The history of the island of Serebryanyy Bor—the well-known recreation zone for Muscovites—is just as contradictory: Throughout their lives, the KGB dachas had for neighbors the dachas of the U.S. Embassy. In the morning their inhabitants would run into each other during their morning jog and would wish each other good health. The dacha of the Patriarch of All-Russia faced the mansions of the members of the CPSU Central Committee, while its side windows looked towards the militia fence, behind which strolled the generals of the USSR MVD [Ministry of Internal Affairs]. And about half a kilometer from the

Church estate was the cult temple of the local proletariat—the famous Serebryanyy Bor pub, whose patrons had no idea that the neighbors were drinking a completely different kind of beer.

#### **Drink the King of Denmark's Tincture, Cavaliers!**

Having brought ourselves to a stop at the very beginning of the island, we entered through wide-open gates, behind which stood, well, very Western detached houses. The guards, stunned by our impertinence, got themselves together only when we, having looked over all six newly-built cottages, attempted to walk inside. It was then that they grabbed us. "Big Ivan" (this is the way the security team chief introduced himself) was short on ceremonies. Demanded a pass.... Around us—a solid fence; about 200 meters away, over the bridge, the noise of the city. It is drizzling.

Two shock troopers (strapping fellows pushing two meters) rush to their boss' aid.

"We are from MOSKOVSKIY KOMSOMOLETS!"—"Ivan" is at a loss for the second time, forgets about the pass, and reveals a secret—the cottages belong to the Pergamon-Moscow company. The guards have been ordered "not to let anyone in without a pass, because everything on this soil is private property."

Taking the bull by the horns, we demonstrate our intellect—the land belongs to the people. That does not sound very convincing, though. "Big Ivan" is unapproachable, no longer in the mood for "niceties." We are escorted outside the gate. Next to it—another fence. Another construction site.

The watchman, caught unawares, took his time straining to recall whose property it was. Still, our healthy curiosity overcame senile fears. The construction is for Zenit-Inter—three houses. The watchman did not have enough time to recall more.

"Here comes my boss," the old man minces along towards his "babushka." Seeing us, she takes a militant stance and becomes "formal." Pops also assumes a dignified air.

"What do you want? It is time for lunch. The owners are not here. If you have any questions—go to Hamlet! In the Mosdachtrest [Moscow Dacha Administration]..."

#### **And Under Each Bush You Have a Meal and a Home Here**

We quickly made our way to a three-story building on the bay shore, where the city beach is. No five-star structure, of course, but... it takes your breath away. It is being built for the same Pergamon. This one is in the interior finishing stage; next to it, a new foundation is being laid in. Also for the Pergamon. The contractor is Transstroy [Transport Construction Administration].

"Where did the house come from?" we asked with "naive" interest a businesslike lady in worn denims directing men in construction overalls of clearly foreign origin.

"All questions are to be addressed to Hamlet." Here I felt in my guts how Shakespeare was turning in his grave for a second time.

#### Construction in the 'Kingdom of Denmark'

This mess started in January of last year by the Mossovet's [Moscow City Council] ispolkom [executive committee], which decided to distribute the old dachas inherited from the Bolsheviks.

All of the dachas were assigned to the Mosdachtrest—to let it lease them, but intelligently: 70 percent to the Moscow government and the mayoralty, and to republic, city, and departmental organizations (very, very high up), and 30 percent at its discretion, preferably for hard currency. Neither did they forget about the disfranchised. True, war and labor veterans received the crumbs from the masters' table: The roof on the former CPSU Central Committee's dacha is literally slipping down, and there is no way one can live there—the ceiling is falling on one's head. But the authorities checked it off the list and formally observed the propriety.

The ispolkom and the Mossovet were in such a hurry to divvy up the goodies that they forgot to define the status of Serebryanyy Bor. They had to correct this mistake afterwards, 10 months later, when passions subsided. The Mossovet declared the island "a state preserve of local importance" where, according to the RSFSR Law "On the Protection of the Environment," any construction is prohibited.

In the middle of August of last year Khoroshevo Rayon Soviet petitioned Yuriy Luzhkov personally with the humble request to give it the deteriorated dachas of the CPSU Central Committee and Comecon [Council for Mutual Economic Aid] (structures under the code number 14a—A.S.) for the purpose of "promoting a healthy lifestyle." The deputies intended to promote soccer, volleyball, tennis, and swimming.

The calculation was simple: At the time Yuriy Luzhkov was, among other things, the president of a charitable association "Healthy Lifestyle and Sports for Everyone." He frequented Serebryanyy Bor, out of purely sports-related interest. The deputies figured it right: Yuriy Mikhaylovich was indeed sympathetic to the idea. In February 1992 he sent a request to Yu. Petrov, the president of Russia's chief of staff, asking to assign to the association three dachas, numbered 72, 74, and 79 in Serebryanyy Bor, for the purpose of tearing them down and establishing a civilized recreation area for the old and the young.

The dachas were assigned to the association. However, according to Mossovet Deputy Lev Kadukov, the joy was short-lived. It turned out (strange things do happen), in

his own words, that the chit that the deputy mayor had signed in vain was the "wrong" one. This "wrong" paper had been sneaked in to him by the hard currency-greedy Mosdachtrest bureaucrats. While Kadukov, Luzhkov's deputy in the sports association, was mulling over what to do with the dachas (to tear them down right away or to wait), Mosdachtrest simply appropriated them and without second thoughts leased them to Pergamon-Moscow, a Russian-Swedish joint enterprise. Thus, rapid construction started in Serebryanyy Bor in spite of all the laws, Luzhkov, and Yeltsin.

#### 'And From Here We Will Threaten the Swedes'

I decided not to seek an appointment with Hamlet. Gamlet Gaykovich Gulagyan, Mosdachtrest's chief engineer, may not be a mere clerk, but still, he is only carrying out orders. All strings in Serebryanyy Bor are in the hands of his boss—the chief administrator of Mosdachtrest. This was how I met Serebryanyy Bor's "gray cardinal"—Georgiy Nikonorov.

**FROM OUR DOSSIER:** Nikonorov Georgiy Filippovich, former instructor of CPSU's Oktyabrskiy Rayon Committee, former chairman of the rayon workers control committee, former chief of Oktyabrskiy. Has been in charge of Mosdachtrest for four years. A professional administrator. Loves construction.

I learned a lot of interesting things in my conversation with Nikonorov (I hope Georgiy Filippovich is not going to disavow his own words): "Until 1992, the rent was next to nothing: Three rubles [R] a year per square meter from private individuals, and R100 from organizations. Starting this year, a regular individual pays R100 per square meter, low-income individuals—R60, and organizations—R2,000." (To any low-income individual who has a dacha in Serebryanyy Bor—I will pay the entire honorarium for this article, I swear, for the document verifying his low-income status. An "ordinary" Serebryanyy Bor dacha renter, should he decide to call, may count on a speedy write-up in MOSKOVSKIY KOMSOMOLETS on how he had become so "ordinary.")

Without a trace of embarrassment in his voice, referring to the mayor of Moscow, who had vested him with this super-authority, Georgiy Filippovich shared with me how he personally sets the amount of rent for each dacha, deciding singlehandedly to whom to lease and to whom—not to.

And since R2,000 a year is just pennies, Mosdachtrest as represented by Nikonorov prefers hard currency. That is how it came about that there are now Swedes in Serebryanyy Bor instead of children and a "healthy lifestyle."

Nikonorov signs lease agreements with Swedes for 10-15 years. By the terms of agreement, the "leaseholder" has a right to tear down a decrepit structure and build a new one. The law prohibiting construction in Serebryanyy Bor does not faze anyone. Subleasing is permitted, which is actually what the Swedes are counting on in building

splendid cottages for millionaires in a city preserve. The estimated cost of each mansion is R20 million. The leasing meter starts ticking from the first day the agreement goes into effect. In Nikonov's words, "We are not particularly concerned what the Swedes are building there—everything is paid for."

Day by day, Serebryanyy Bor is being transformed from a Moscow preserve into a millionaires' preserve. Nikonov is not hiding his joy on this occasion: Everyone knows that wherever the millionaires are, there is order and service, created by millionaires' dollars.

The psychology of a Russian bureaucrat is simple: Why hustle, when good things come to you on their own—just relax and do not move a muscle. Nikonov cannot wait for the day when the Swedes finish construction and let the millionaires in—then Mosdachtrest, without moving a finger, will demand a fantastic (in Nikonov's opinion) rent—\$700 per square meter a year.

#### **Persona Non Grata**

Mossovet Deputy Kadukov has a diametrically opposite point of view. The island should belong to the people. He does not want to give to the Swedes without a fight the sports association's dachas, which Mosdachtrest has quietly grabbed. His position is sports for the masses. It is not clear, though, who will pay. As is known, Russian masses are en masse poor. Only "individual masses" have money.

Next to Pergamon, a magnificent house is being built by the IBC [international business center]. The tracks of the business center are so well covered that the editors have not been able to find them for a month and a half. The business center changes offices and telephone numbers weekly, which creates an impression of a front.

This time, again, the contractor's representative (the Gabro Company) gave me a fictitious telephone number where I could not reach anybody.

The next day, Nikonov explained in a lengthy and convoluted way that all he has with the business center is an agreement whereby money is being transferred. The money is transferred by the Land Company on behalf of the business center. That is all. According to our information, the business center is a creation of Yevgeniy Bystrov, Mossovet Ispolkom's former deputy chairman, who had stepped into the shadows from the Moscow political arena. "Could it be that he is building a dacha for himself?" I asked Nikonov. The Mosdachtrest boss only shrugged his shoulders fearfully, but could not proffer anything intelligible.

Perhaps because he himself is not all that clean?

The "opposition," as represented by Deputy Kadukov, is not choosy when it comes to means to achieve justice in dividing up the dachas. He takes special pleasure showing the three-story mansion built for Mosdachtrest by Swedish design. Well, the Mosdachtrest chief must

have quite a bit of authority, if he is able at his own discretion, without any legal grounds, to decide the fate of the island. Unlimited power corrupts: "I am not ashamed of the illegal construction in Serebryanyy Bor," said Georgiy Nikonov in a conversation with a journalist. "Why should I heed the law, if it is such a bad law!.."

The "bad law" in this case apparently is represented by Moscow city office of the State Sanitary-Epidemiological Control Commission, Moscow Architectural Commission, Moscow State Experts Board, Moscow Commission on Nature, and Moscow Forests and Parks Administration, which never issued any permits to conduct construction in a natural preserve, since the latter would be a felony and is punishable to the full extent by law. The editors have a pile of documents prohibiting construction both by Pergamon (14 homes) and by Zenit-Inter (three homes) and IBC (two homes). It is an obvious case of unauthorized construction. For hard currency, however. And he who pays call the tune.

The real situation is this, however: In effect, Mosdachtrest receives income for the land it does not legally own: After all, the dachas it is leasing out are "paper" items; in reality they do not exist—the money that flows to Mosdachtrest is for nonexistent square meters that Swedes and Russian businessmen are only going to build. (By the way, the permit to tear down the party shacks also is issued by Mosdachtrest). And they say that one cannot make money out of the air—but of course one can!

Without being held accountable to anyone, keeping the deputies and the mass media away from the construction sites of the cottages, Nikonov very successfully creates a legal and informational blockade of the island. True, he swore that all Mosdachtrest business transactions are a public record, found in dozens of thick bookkeeping volumes.

There is also another side of the coin. What are the new owners of the dachas counting on, if all the new construction still shows up on paper as old dachas of the CPSU Central Committee, Comecon, and other Bolshevik organizations that are merely leased out? Nevertheless, the businessmen are confidently investing their capital into real estate that belongs to Mosdachtrest. This means that they are certain that their hard-earned property will not be appropriated. This means that there exists a secret and private decision on Serebryanyy Bor for former party property to be let on a long-term lease—clearly below the going rate for both our and foreign businessmen—instead of being put on the block. This is all very strange, is it not?

And a separate question is the foreigners' activities in Serebryanyy Bor. This is altogether even more puzzling. Mosdachtrest's disregard for the law and the departmental ambitions of its chief may do substantial material damage to the Swedish company Pergamon, well known

in Europe as a developer and builders of roads, communications, and buildings. Judge for yourself—today Nikonov is the boss, covering up his violations of the law; tomorrow he is gone—he may change jobs—and his successor may choose a "different road."

In the event that the Swedish company does not receive the expected profits, the damages are to be paid by the Moscow government.

But even this is not the main point.

It is the way how confidently and brazenly the foreigners behave on land that does not belong to them. It is that Pergamon's behavior is so strikingly different from that of other potential foreign investors in the Russian economy, who are very cautious and distrustful with respect to our laws. So if the Swedes are building mansions worth millions in the very heart of Serebryanyy Bor, without any approval on the part of omnipotent government bureaucrats, despite a categorical refusal on the part of Moscow Committee on Nature—"there will be no approvals or permits"—this means that someone gave them clear guarantees with respect to the safety of the real estate and stable profits. Swedes are not Russians—they never act on a "per chance" basis. This means that Nikonov also is a mere pawn. So who is the real master, then? This question remains unanswered.

In any case, there are many resolutions on Serebryanyy Bor, but all of them are on paper. There are also enough commissions in Serebryanyy Bor, but none can make any decisions. The city mayor, having once made a generous gesture of gift to the Muscovites, has seemingly forgotten about it as well. Only the Swedes are working on the island, digging foundations that undermine the roots of centuries-old pines, which, unlike the dachas, are "not paid for."

According to Nikonov, there is hope that the Swedes will develop the island infrastructure and will build everything there themselves: the stadiums for the city residents, playgrounds for the children, and gazebos for babushkas. That it will be another Disneyland.

No, gentlemen. There is no such agreement. As for the millionaires, they do not like noise and too many eyes close by.

You raise the rent—they will pay. The annual rent of \$700 per square meter is nothing for them. In the West, a night in a five-star hotel costs more! They will buy you off—that they can do! And they will close the island for city residents under a contract with the Mosdachtrest boss' signature affixed to it, even if Nikonov himself does not skim a penny for himself.

While we will be told: You have a question—take it to Hamlet...

P.S. According to unofficial information, Mosdachtrest has prepared documents for the privatization of all 158 dachas located on the island of Serebryanyy Bor.

### Industrialists, Union Bosses Meet in Moscow City Hall on Privatization

934C0056B Moscow NEZAVISIMAYA GAZETA  
in Russian 1 Oct 92 p 2

[Report by I.P.: "Shumeyko Describes Reorganization"]

[Text] Another conference of the industrialists, entrepreneurs, bureaucrats, and trade union chiefs of Moscow took place yesterday in the mayoralty. There was only one item on the agenda: "The Tasks and Problems of Converting State Enterprises Into Shareholding and the Privatization of State Property." The conference opened with a report by Konstantin Buravlev, first deputy chairman of the capital city government. The next speaker was Aleksandr Ivanenko, first deputy chairman of the State Committee for Managing the State Property. According to him, by 1 January 1993, the stock of all enterprises being currently converted into shareholder societies will be at Russia's securities markets. Next week the government is releasing the statute on trusts and holding companies, and will hold consultations with the Central Bank of Russia on the privatization of commercial banks with a significant share of state ownership. Then the floor was given to Vladimir Shumeyko, deputy prime minister of the government of the Russian Federation, who briefly described the upcoming reorganization of his workplace. Of 137 central agencies, 73 will remain (69 within the government and four under the president). As of 29 September, 42 percent of enterprises permitted to convert to shareholding are ready to sell their stock; by 1 October, there should be about 50 percent of such enterprises, and the rest will be given additional time (despite the presidential decree). Mr. Shumeyko said that the government intends to concentrate its attention on food production, the fuels and energy sector, conversion, regional development, science, and science-intensive industries.

### 'Fascist Pogroms' in St Petersburg Analyzed

934C0081A Moscow LITERATURNAYA GAZETA  
in Russian No 42, 14 Oct 92 p 4

[Article by Tatyana Putrenko, LITERATURNAYA GAZETA correspondent: "They Finished Him Off With Sticks and Switches.... It Appears That a Presentation of Fascist Pogroms Has Started in St. Petersburg"]

[Text] St. Petersburg—According to sociologists' data the slogan "Russia—for Russians" is supported in St. Petersburg by 23 percent of the total population, and by 36 percent of youth up to 19 years of age. Is this not the reason for the pogroms and the gradual fascization of society?

At the end of September, youths with light brown hair in sports clothes and leather jackets inflicted a pogrom on trade stalls at the Prospekt Prosvetleniya metro station. After concluding the act the pogromists jumped into several vehicles without license plates and got away before the police appeared. The editorial office of the

youth newspaper SMENA recently received an anonymous telephone call: Responsibility for the pogrom was assumed by a certain nationalistic organization "Black Squadron," which is dissatisfied with the inaction of the authorities with respect to the "Caucasus mafia."

On 7 October, in broad daylight, about 100 youths in sports clothes and leather jackets burst into the city's Torzhkovskiy market. The pogrom was repeated. With metal switches they cruelly beat traders from Azerbaijan, and then randomly opened fire on them. As a result of the barbarous attack 17 persons were wounded, and 26-year-old Sarvar Iskanderov was killed. According to eyewitnesses he was fired on twice, and while he was lying on the ground they finished him off with sticks and switches.... According to available information, no one has called St. Petersburg editorial offices yet regarding this tragedy. The gang of pogromists left the scene of the crime, as in the first case, quickly and in an organized way. The militia and the OMON [Special Purpose Militia Detachment] were late again.

It seems no one believes that what happened is only a sorting out of mafia groups among themselves without any hint of politics. Despite the different versions being developed by the investigation: a racket and the display of force by one of the criminal groups after a series of arrests of its members, employees of law enforcement organs and the security administration of the city are inclined to think that the cruel act bore a clearly expressed nationalistic coloration.

By coincidence, the same day as the tragedy at the Torzhkovskiy market a presentation was given at the House of Writers imeni Mayakovskiy in St. Petersburg of Russia's first antifascist journal BARYER, which will come out in two languages—English and Russian. This is

what writer Nina Katerli, a member of the editorial collegium, told me in an interview:

"What happened at the Torzhkovskiy market was supposed to happen. A gun hanging on the wall in the first act, as is well-known, is fired in the last act. When militarized formations are established in the city, and Yu. Belayev, a deputy of the city soviet, unites the militia with national patriots to fight the violence of the "Caucasus mafia," when fascist newspapers are issued, and the "600 Seconds" program poisons television viewers against the arrivals from the Caucasus, and when for some reason a "Russian market" is opened—all of this indicates the fanning of hatred. We created our journal in order to put a stop to this."

The only question is whether this is within the capability of 100 journals, let alone one?

#### Petersburg Residents Polled on Economic Situation

934C0071B St. Petersburg SANKT-PETERBURGSKIYE VEDOMOSTI in Russian  
23 Sep 92 p 3

[Article: "Sociologists Confirm: We Need a Lot, but Money Most of All"]

[Text] We are continuing to publish materials of the monitoring program "Social-economic protection and self perception of the city's residents" of the St. Petersburg scientific-research sociological center. The latest poll was conducted 10-15 September 1992. One thousand and fifty-seven people responded to the questions in the questionnaire. The contact telephone number is SPBSNITs 297-89-38.

Sponsors of the program are the insurance society "PROGRESS-NEVA" and "SANKT-PETERBURGSKIYE VEDOMOSTI."

#### 1. How Do You Evaluate the Material Situation of Your Family at the Present Time?

	20-25 May	10-15 September
They in fact deny themselves nothing	2	3
They deny themselves only luxury items and the best quality foods	17	18
They spend all their money only on food	42	42
They are cutting down on food and other necessities	16	22
They are scarcely making ends meet	17	12
They are in want	6	3

#### 2. Do You Regard Yourself and Your Family as in Need of Immediate Economic Assistance?

	12-15 February	1-5 April	20-25 May	17-20 June	10-15 September
No	46	27	63	41	50
Probably not	13	17	13	24	15
Difficult to Say	7	7	3	5	4
Probably yes	13	17	8	14	10
Yes	22	33	13	16	21

**3. What Assistance Do You Require in the First Instance? (Question was asked only of those requiring assistance; figures show percentages of those who answered the question.)**

	12-15 February	1-5 April	20-25 May	10-15 September
Monetary	42	28	45	69
Food	40	48	39	14
Job placement	12	17	12	13
Other	6	7	4	4

The survey data show that during the summer months, which have now passed, the material situation of the city's residents according to the self-evaluation of the respondents was almost unchanged. However, the cost of living in the city shot up, inasmuch as the rise in consumer goods prices continued to accelerate and rates for telephone service, transportation, municipal services and electricity went up. The demand of the bulk of the population, as previously, came down to "monetary expenditures on food and other necessities." However, despite factors that fostered a worsening of the economic situation in the city and a decline in the well-being of the city's residents, the social self-perception of a part of the most indigent somewhat improved. But the number of those requiring immediate economic assistance (30 percent of the population) did not change. The majority of these people (69 percent of those requiring immediate assistance) would like to receive monetary assistance. In the first instance, these people include invalids, one out of every three people 60 years old or older, and one out of every four people aged 30 to 40 with children who are minors. Their hopes are tied in the first instance to the activity of municipal organs and charity funds.

**INTERNATIONAL AFFAIRS****Possible U.S. Territorial Claim to Wrangel Island**

934C00664 Moscow NEZAVISIMAYA GAZETA  
in Russian 6 Oct 92 p 4

[Article by Mikhail Entin (Newport, Rhode Island) under the rubric "Version": "The Fate of Wrangel Island"]

[Text]

**Discovery of Wrangel Island**

Baron Ferdinand Petrovich Wrangel, a lieutenant in the Russian Imperial Navy, first learned of the existence of the territory that now bears his name from leaders of northern tribes. Between 1820 and 1824 he headed a number of expeditions in search of the island, but his efforts were without success. In a report sent to St. Petersburg, Baron Wrangel noted: "Further attempts would be absolutely fruitless."

Four decades later, on a day in August 1867, the watch officer on the American whaler "Nile" caught sight of an island in the distance that was not designated on the maps. Captain Thomas Long spent a few days mapping

the island as he proceeded along its southern shore. Certain names that were given then such as Cape Thomas and Cape Hawaii have been preserved. To the island itself, however, Captain Long gave the name of his less fortunate predecessor.

That same year other vessels of the American whaling fleet visited Wrangel Island. Soon geographical societies throughout the world had recognized Captain Long's discovery. Only 14 years later, the United States officially declared its sovereignty over the island. This event came about in the following way.

In 1879 an American naval vessel was crushed by ice in the vicinity of the island. The newspaper NEW YORK HERALD organized a campaign noisily demanding that the government send out a search expedition. The vessel "Koruin" under the command of Captain Calvin Hooper reached Wrangel Island on 12 August 1881. A small detachment disembarked, and after looking over this bleak little piece of land, the visitors left behind a rock pile in the shape of a pyramid with an American flag and a written record of their visit to the island. Captain Hooper, who, incidentally, was in charge of the service that patrolled the Bering Sea, which made him the de facto governor of Alaska, formally claimed the right of the United States to the island.

Subsequently, still another member of this expedition, Edward Nelson, wrote: "Our inspection of the island, so far as we were able to determine, gave not the slightest indication of a previous visit by anyone.... The first person to set foot on the island was a member of the detachment sent from the 'Koruin.'"

By 1884 Wrangel's Island was listed as belonging to Alaska, and therefore to the United States, among the records of the Navy and War departments as well as of the Department of the Treasury. It was similarly recorded in the "Geographical Dictionary of Alaska," published in 1906. The crew of the "Adler," which brought a film crew to the island in 1910, also affirmed the sovereign rights of the United States and, of course, deposited another American flag.

**Stefansson and Others**

The decades that followed were marked by diplomatic activity pertaining to the island. In 1911 the Russian icebreaker "Vaygach" landed a search party, which inspected the western shore and erected on it a 10-meter beacon. This first known landing by Russians led five

years later to a declaration of Russian sovereignty over the island. This move by the Russian government attracted virtually no attention, however, because of World War I and the subsequent fall of the Russian autocracy.

Another attempt to take possession of the island was made by the British, operating through the Dominion of Canada. In 1913 after learning of a planned U.S. expedition to the Arctic, the Canadian government requested and received permission to finance it. The Canadians named the explorer Vilhjalmur Stefansson to head the expedition. Captain Robert Bartlett, an American, commanded the flagship "Karluk." In his later published memoirs Bartlett described in detail a dramatic adventure at sea. The "Karluk" became ice-bound. It then drifted in a westerly direction before sinking. The members of the crew who remained alive worked their way southward for two months across a lifeless expanse of ice, and in March 1914 arrived at Wrangel Island. There they discovered the stone pyramid that had been erected by Hooper. Erecting a British merchant marine flag, they declared the island a part of the British Empire. Eventually, the crew was rescued and brought to the port of Unalaska, where a meeting took place between Bartlett and the man in charge of the port, William Reynolds, from whom he found out that Wrangel Island was an inalienable part of Alaska.

Stefansson nevertheless cherished the hope of making the island the property of the British Crown. In September 1921 he organized a landing party to spend the winter on the island, and the following spring news of the imminent annexation of Wrangel Island to the United Kingdom became a subject of discussion in both the British and American press. The former criticized the British Government for risking a worsening of Anglo-American relations as a result of contention over an island of no particular value to Great Britain; the American press for its part questioned whether the United States should any longer tolerate British subjects on its territory, while an expedition was organized to take back at least a part of it.

On 20 August 1923, the U.S. ship "Donaldson" landed another party on the island. Thereafter its population consisted of 13 Eskimos, a dozen of whom were U.S. citizens, and a native of Pennsylvania, Charles Willis.

The status of the island was sufficiently clear that on 18 June 1924 the British secretary for colonial affairs declared: "The Government of the United States, it would seem, has a strong if not incontestable claim to the island, based upon the fact that Captain L. Hooper of the ship 'Koruin' formally took possession of it in 1881 in the name of the United States."

#### 'Our Answer to Chamberlain'

The right of the United States to the island, however, did not seem incontestable to everyone. On 20 August 1924 a Soviet gunboat, "Krasnaya Oktyabr," came within sight of the island. A Red Army detachment rounded up

the U.S. settlers. After being told that they would be sent to Alaska, they and their belongings were taken aboard the warship. As reported by the English-language JAPAN ADVERTISER on 27 January 1925, however, the ship "Krasnaya Oktyabr" took them instead to Vladivostok. There Charles Willis was put in jail, and his Eskimo companions were escorted to the Japanese border. Following the intercession of the U.S. consul, they were given permission by Chinese customs officials to continue on to Harbin. In response to an inquiry regarding the fate of Charles Willis, Soviet authorities replied that he had died of pneumonia.

In 1926 the Soviet Union declared Wrangel Island a part of its own territory and reinforced its annexation by establishing on the island a polar station, the inhabitants of which consisted of a few scientists and their wives, together with support personnel drawn from the Chukchi, numbering in all about 50 persons. This group was engaged in collecting meteorological and other kinds of scientific data. In 1929 a radio station was established.

Maintaining contact with the islanders proved to be not an easy thing to do. Two ships that were sent there sank in the East Siberian Sea; still another was forced to turn back. Yet from 1934 on Soviet icebreakers managed to reach Wrangel Island each year. Shortly thereafter, service by air was established on a regular basis. Eventually, a second meteorological station was installed on the island.

The remoteness of the island, its difficulty of access, and the exceptional severity of its climate (with an average temperatures in December of minus 25 degrees Celsius, in July of plus 2 degrees Celsius) were factors that determined its melancholy fate as a part of the gulag archipelago.

According to an account by a former political prisoner, Ye. Moshinskiy, a major concentration camp was located on the island. It was divided into three zones: (1) the living area, (2) a work area containing various workshops and factories, (3) a hospital area to which prisoners were taken from time to time for the purpose of conducting experiments—the existence of which at the time no one knew anything about. Ye. Moshinskiy, whose account covered the period from the late 1950's to the early 1960's, reported that a large number of military prisoners, consisting mostly of officers from Germany, Italy, and other countries, had previously been kept on the island.

In 1976, Wrangel Island was declared a state preserve by a decree of the USSR Council of Ministers, which stated: "Scientists shall be the sole custodians of the island's natural wealth."

Nor did the island escape the attention of the General Staff. Air units and a submarine base were situated there a little more than 400 kilometers from the American coastline.

**'U.S. Interests Are Being Diligently Maintained'**

Against the background of aggravated territorial disputes that may be recalled, such as the one over the Falkland Islands or the war between Ethiopia and Somalia, this dispute may seem to be without substance. The American side has never formally affirmed [U.S.] annexation. (Under the terms of the U.S. Constitution, all territorial changes are subject to ratification by the U.S. Congress.) A few months after [Soviet] annexation of the island, the head of the Russian Section in the State Department, D. Poole, declared: "I can assure you that we shall monitor the situation on Wrangel Island closely and that U.S. interests are being diligently maintained in all respects." In 1930 the U.S. Government published an atlas subtitled "Territorial Boundaries, Geographical Centers, and Prominent Features of the United States and Certain Other Countries." The atlas included Wrangel Island as a U.S. territory with the notation "Occupied by Reds."

"The Digest of International Law," published by the State Department, has twice indicated—in 1940 and once again in 1973—that the United States has not relinquished its rights to Wrangel Island. Finally, on 4 February 1976, a research report by Breton Siacon was submitted to the State Department, laying the legal groundwork for U.S. claims to the island.

However, the following question may arise: How many times did the United States discuss the situation surrounding Wrangel Island with the USSR? Not once! On the other hand, in the years of detente the State Department easily swallowed the bait set for it by the Soviet Ministry of Foreign Affairs in collaboration with the KGB. At the summit meeting in 1972, Nixon and Brezhnev signed a "Treaty To Cooperate in Protecting the Environment." Under the provisions of this treaty, the United States and the USSR agreed, among other things, "to undertake and effect the transfer of musk-oxen from Nunivak, Alaska, to Wrangel Island and the Taimyr Peninsula in the USSR." Setting aside our concerns for the musk-ox, let us note the main point: For the first time in an official document of which the United States was a signatory, Wrangel Island was acknowledged as Soviet territory.

It is nevertheless evident that the question of Wrangel Island is a matter to be left to policy-makers at the highest level and that the most critical events are yet to take place.

**Multinational Interest in Sakhalin Offshore Oil Field Renewed**

934A0066A Moscow *IZVESTIYA* in Russian 14 Oct 92 Morning Edition, p 5

[Report by Sergey Agafonov, *IZVESTIYA*, Tokyo: "The Sakhalin Project: The Number of Players Is Growing"]

[Text] Once again the previously neglected project of developing gas and petroleum deposits on the Sakhalin shelf becomes the center of attention.

As had been predicted by the experts, the MMM consortium (Marathon Oil and MacDermott American companies, and the Japanese Mitsui Bussan), which had been granted permission to make preliminary surveys and which had requested the right to develop and operate the deposits, did not undertake to take the risk alone. Instead of playing "solo," it chose to look for reliable monied partners, without which it would be difficult to convert a tremendous volume of investments into a very complex technological project. As a result, the number of players on the Sakhalin shelf has begun to grow after a hiatus of six months.

Several days ago, the Mitsui Bussan representative in Tokyo announced that, by agreement with the Russian side, the MMM will be joined by the Shell Anglo-Dutch Corporation, which had created a new subdivision especially for this purpose; Shell had participated last year in international auctions involving a 50-million contract for preliminary studies of the Sakhalin deposits but had then lost to the "Triple M." Now the former competitors themselves have invited this powerful corporation to participate, and Shell has accepted the invitation which, in figures, amounts to 20 percent of the contract.

Actually, the participation of Shell in the preliminary stage is not the main feature. The main target will be the forthcoming auction, to be held next year, which will include bidding for the development and operation of the deposits. It will be then that it will become a question of many billions of dollars (according to different estimates, between nine and 12), the search for which is already taking place.

Following Shell, only a few days later, there was talk that the consortium will be joined by yet another major Japanese corporation, Mitsubishi Shodzi, which is part of the powerful Mitsubishi family, one of the most influential financial-industrial groups in Japan. The formal decision to join has not been announced as yet. However, according to a number of experts, the matter has been practically resolved, considering the close ties linking Mitsubishi Shodzi with Shell in the processing of natural and the production of liquefied gas.

The participation of Mitsubishi Shodzi will be of great importance to the consortium less for financial considerations than for the possibilities of marketing the future output extracted on the Sakhalin offshore shelf, for that company controls the lion's share of sales of liquefied gas in Japan and, therefore, it is precisely that company which will determine the sources for the replenishment of the "gas market" at the start of the next century, when the Sakhalin "commodity" will be offered for sale.

Incidentally, Shell was supported by Mitsubishi Shodzi in last year's auctions, along with yet another Japanese company, Sheva-Shell. The name of the company itself makes it clear that European corporations are participating in this "joint enterprise" directly, which means, according to the specialists, that Sheva-Shell as well would have a share soon.

Active efforts were made to add yet another powerful petroleum group to the consortium—the Mobil Corporation. The American Mobil Oil was the first to which the MMM turned with a proposal for cooperation in the Sakhalin project, five months ago. Exceptional efforts were made to agree on the size of the share. Eventually, however, no agreement was reached. However, it became known last week that Mobil had decided to abstain from participation in the "Triple M" group and had ended the protracted talks.

Therefore, as things stand today, a Japanese-American-European "collective" has been set up for future bids for the right to develop and exploit the Sakhalin shelf, with a good chance of success. However, to assume that the regrouping of forces in the struggle for the Sakhalin deposits has been completed would be premature.

Above all, still outside all those maneuverings behind the screen, talks, and deals, there remains a powerful group such as the Japanese semi-governmental Shodeko Corporation, allied with Exxon, the world-class "heavy-weight" company. As in the past, the Japanese government is the patron of Shodeko and, according to rumors, the program of the visit to Tokyo of the Russian president, which did not take place, specifically included "lobbying" on the Sakhalin project.

This is of direct interest to the "Triple M" consortium: Japanese governmental credit lines and insurance of business operations with such a deployment remain "sealed" to "outsiders." In order to promote matters, one must begin by finding a way to reach a compromise with "Shodeko." However, this is no simple matter, perhaps due to the fact alone that the interests of the Shodeko-Exxon couple are considerably broader than those of the "Triple M," for that team is asking for the right to develop all Sakhalin deposits and not only the two which were put on the auction block last year.

According to knowledgeable people, this autumn will be a very hot time for anyone wishing to participate in the Sakhalin project. However, information on this account will be very scant, for this will involve a very great deal of money.

#### **Moscow-Taipei Economic Cooperation Heralded as Diplomatic Gain**

934A0049A Moscow MOSCOW NEWS in English  
No 39, 27 Sep-4 Oct 92 p 13

[Article by Nikolai Lutsenko]

**[Text] The signing by President Boris Yeltsin of an instruction on the establishment of the Moscow-Taipei Coordinating Commission on Economic and Cultural Cooperation with Taiwan is being called a diplomatic sensation by news analysts.**

For a long (too long) time we ignored the republic of China in Taiwan. It is not that we failed to notice this

"newly industrialized state" of Asia, which from year to year surprised the world with its phenomenal economic performance. But, conversely, we didn't spare the invectives borrowed from the vocabulary of the communists of mainland China.

The anti-Taiwanese lobby is still strong in the structures of the state machinery. Fortunately, however, the official propaganda of the 1950s has left no significant trace on mass consciousness. But in reply to the "Russian fever" on the island, there has not been, at least so far, a similar outburst of sympathy for, and interest in, Taiwan here. Little wonder: information on Taiwan is still scarce. Moreover, until recently no one dealt with organizing relations with Taiwan.

Russia's Foreign Ministry has continued to take a conservative approach. Let me cite just one example. Two weeks ago Moscow was the venue for the first seminar on the development of investment and trade between the CIS and Taiwan. The Chinese delegation consisted of 60 prominent representatives from the business community and high-ranking officials, and was led by Dr. Chiang, Deputy Minister of the Economy of Taiwan for political affairs. In an informal talk, the Taiwanese side voiced a desire to meet unofficially with the Russian Foreign Ministry's leadership to discuss the possibility of opening special offices for trade, economic and cultural cooperation in Moscow and Taipei. These would, among other things, facilitate the procedure for obtaining visas. The Foreign Ministry leadership turned down their request—passed along by me—and justified this action by pointing to a likely complication of relations with the PRC. But two days later Yeltsin himself issued an instruction on the establishment of the Moscow-Taipei Coordinating Commission on Economic and Cultural Cooperation, and appointed as its head Oleg Lobov, Chairman of the Expert Council under the auspices of the President of the Russian Federation.

This bold step undoubtedly spells the long overdue breakthrough in our relations with Taiwan.

Incidentally, the PRC leadership is very pragmatic when it comes to business relations with the island: Taiwan's investments on the mainland are already measured in billions of dollars. Beijing's jealous attitude towards Taiwan's contacts with other states is largely explained, it seems, by a desire to remain the sole recipient of benefits from gold and currency reserves which today exceed 86 billion dollars.

On the other hand, it is indisputable that Russia and Taiwan complement one another. Judge for yourselves: we have a chronic deficit of consumer goods, but in Taiwan there is their overproduction, due to rising protectionism in foreign markets; we have one-sixth of the world's land and the world's richest natural resources, while they have a small island with very scarce reserves of minerals; we have cheap and highly skilled manpower which finds no adequate application, while

they have a shortage of hands, especially in science-intensive sectors; we have a hypertrophied military-industrial complex being pushed into the "procrustean bed" of conversion, while they have demand for military equipment, scrap metal and special technologies. On the other hand, we have a strong scientific potential, including that in the aerospace sphere, but they are lagging behind in fundamental development projects and have demand for patents and know-how.

In the dyads of mutual complementariness, however, there is one thing which makes Taiwan a far more important partner for us than what we can become for it. It is the history of its economic model, which is sometimes defined as "triumphant NEP" (Soviet Russia's New Economic Policy in the 1920s—Ed.). There are many hidden threads, hardly known in this country, which the flourishing Taiwan to the ruins of the USSR. For example, the ideas of "people's socialism," which are refracted through a Confucian lens in Sun Yatsen's teachings. Or the orientation towards rigid authoritarianism in politics which Chiang Kai-shek absorbed during his visit to the Soviet Union in 1923. Also, both countries developed xenophobia against the backdrop of hostile external environment and, as a consequence, engaged in excessive military spending. The common threads also include the Russian wife of Chiang Ching-Kuo, Chiang Kai-shek's son known in Russia as "Kolya," a Red Army officer and YCL member in the past, who became the President of Taiwan after his father.

We have much to learn from those who in 1949 started practically from scratch and have been able to raise the population's per capita income from 145 dollars in the early 1950s to over 7,000 today (our average annual income is in the region of 150-200 dollars).

Starting with hyperinflation, mass unemployment and meagre currency resources, Taipei was able rapidly to reach an annual GNP growth rate of nine percent and maintain that level for a very long time. This was explained by the complex interaction of the following factors:

**1. Social and political stability.** Martial law was imposed to combat "subversive elements," e.g., membership in the Communist Party meant a prison term. With an iron hand Generalissimo Chiang Kai-shek established a totalitarian order in politics, but gave a green light to the development of a market economy. The stability of leadership was proclaimed as the cornerstone for the creation of a favourable climate for investments. (By contrast, the absence of considerable investments in Russia corresponds with the government's inability to give investors state guarantees, and with talk about the possibility of the democrats' resignation and the restoration of the communist regime.)

**2. The choice of a correct economic strategy,** which pragmatically combined state planning (four-year government plans patterned after our five-year plans) and

encouragement for entrepreneurship. The party-state elite, keeping the "command heights" of the economy in its hands (truly, in line with Lenin), simultaneously gave every encouragement to small and medium businesses.

Pride of place was given to the land reform, which increased labour productivity in agriculture by 21.5 percent in the course of a mere five years (1950-1955).

Another key policy was the orientation towards foreign economic expansion, in which all export revenues were reinvested in the development of domestic industry—first, light industry, and then processing, chemical, heavy and, lastly, science-intensive industries (compare this with our taxation "robbery" in hard cash, which has made Russian businessmen either hide money abroad where it works for somebody else's economy, or simply waste it on cruises, limos, luxuries, etc.) Only after stabilization and a steady growth of its own economy did the Taiwanese government proclaim an "open-door policy" and slacken state control over imports.

A third major orientation was the development of labour-intensive industries with low capital inputs, which solved the problem of unemployment and made it possible to save the wherewithals for the transition to capital-intensive and technologically-intricate lines of production.

**3. The government's role.** Having given up the principle of keeping all and sundry in check, the state began fostering the class of entrepreneurs, while not losing hold of the key levers of economic management. Today, according to some figures, the state controls over a half of all company investments in Taiwan (i.e., over 380 billion dollars), as well as the whole system of telecommunications, iron and steel, railroads, shipbuilding, the petrochemical industry, banking, and 70 percent of the arable land.

In the past ten years, the situation in Taiwan has been somewhat complicated, primarily due to some easing in the political field. However, in the preceding period, Taiwanese society was able to create a standard of living which continues to insure it against social cataclysms and maintain stability.

I shall venture to predict that in the next few years it will be through cooperation with Taiwan that Russia will find its own policy in the Asian-Pacific region, where it has previously either shyly-knocked on the door with an invitation card but no right to vote, or brandished the arms of its Navy.

Etched in my memory from my visit to the island is a phrase which was most often uttered when yet another splendor was shown to us: "there was nothing here forty years ago—whatever you see is the product of persevering work alone." Well, having turned face to face with Taiwan, perhaps our society, after dashing to and fro, will ultimately find its own face.

**Future Prospects for Ties With Saudi Arabia Examined**

934C0059A Moscow NEZAVISIMAYA GAZETA  
in Russian 24 Sep 92 p 4

[Article by Oleg Mikhaylov: "Saudi Arabia: The 'Fahd Plan' and Contemporary Russia—Middle East Peace Process Could Bring Dividends for Moscow"]

[Text] Ten years have passed since the approval in September 1982 of the pan-Arab program for a Middle Eastern settlement. The program was based on a plan put forward by current Saudi Arabian King Fahd Bin-Abd-al-Aziz.

The fate of the Fahd Plan has been very difficult. Initially, it was sharply rejected by almost all the parties to the conflict, even though it seemed to take the opposing sides' interests into account rather fully and included a provision, revolutionary for that time (1981!), dealing with possible recognition of Israel by the Arab countries, albeit in a somewhat vague form. In the view of the plan's architects, Tel-Aviv would respond by liberating all the Arab lands occupied in June 1967, dismantling Jewish settlements on those lands, and creating a Palestinian state with its capital in East Jerusalem. An important circumstance was the fact that the Fahd Plan recognized the Jews' right to practice their religion in the "holy" city of three world religions—Jerusalem.

Implementation of the initiative at that time was stymied by the fact that forces who saw the reason for their existence in continued confrontation between the two superpowers had no interest in untying the Middle Eastern knot. The US attitude toward the Saudi proposal was generally cool, although President Reagan called attention to the fact that the Fahd Plan, for the first time, recognized Israel as a state. The Soviet Union, however, was "offended" by the plan's failure to mention its PLO ally and the PLO's "legitimate" rights; the Soviet Union also contended that the Saudi initiative proposed an inadequate mechanism for dealing with the crisis.

Following the example of the two "main forces of modern times," the superpowers' Middle Eastern partners adopted similar positions. Israeli ruling circles took an extremely negative view of the Saudi initiative. They were put off most of all by the need to establish an independent Palestinian state, let alone one with its capital in East Jerusalem. Then-leader Menachem Begin also doubted the Saudi leadership's desire to recognize the Jewish state's sovereignty, pointing out that the Saudis had never called Israel a state and opposed the Camp David accords. The "progressive Arab regimes" also opposed the Saudi leadership's plan. And this, it seems, dealt the strongest blow to the Saudi peace initiative, a blow that split the Arab community's common position.

However, certain provisions of the Saudi initiative are being realized today, although the light at the end of the

tunnel is not yet visible. Yitzhak Rabin's recent statement to the effect that Israel is prepared to withdraw from part of the Golan Heights, the de facto recognition of Israel by the Arab world, and the Madrid negotiating process itself—a difficult but essential process—are the best evidence of this.

It would be strange, however, if the Middle East peace process, which became a reality in large part thanks to the change in the previously one-sided orientation of the former USSR's foreign policy toward the "progressive Arab regimes," did not bring any dividends to Russia. It is very difficult to list all the areas of cooperation in which Russia could find points of contact with Saudi Arabia because they are so numerous. The primary such area involves the use of the two countries' oil wealth, exports of which earn them considerable amounts of money. Coordinating our countries' actions in this area (and, in a broader sense, within the OPEC framework) could no doubt produce positive results. After all, just recently Russia took the step of openly establishing essentially similar ties with the De Beers diamond-mining company of South Africa. Without a doubt, the desire of Russian financial authorities to become, in any way possible, an equal member of the IMF and other world financial institutions, is understandable. But in today's difficult conditions, a caftan is no worse than a smoking jacket.

Furthermore, Saudi Arabia cannot help but be interested in importing from Russia still-cheap building materials, lumber, metals, and several types of industrial equipment, in order to carry out its plans to create an industrial infrastructure for civilian construction. I would like to immediately point out that there would appear to be little promise in emphasizing arms sales, soliciting credits, and trying to solve our unemployment problem by sending Russian workers and technical personnel to the Persian Gulf countries.

In the meantime, the lead in relations with the Persian Gulf has been taken by the former Soviet republics of Central Asia, which is not all that surprising, generally speaking. The visit to the region by Saudi Foreign Minister Prince Saud al-Faysal resulted in the establishment of diplomatic relations with the countries of the area and in the forthcoming opening of Saudi embassies in their capitals.

At the same time, Saudi Arabia's top priority in the former USSR remains Russia, whose population includes more than 15 million followers of the Moslem religion. But as King Fahd remarked during his talks with Russian Foreign Minister Andrey Kozyrev, "Religion is the personal affair of each person, and Islam is not politics; therefore, Russia's Moslems should first and foremost be good citizens of that country."

### Foreign Economic Activity Regulations Examined

934A00684 Moscow NEZAVISIMAYA GAZETA  
in Russian 9 Oct 92 p 4

[Article by Dmitriy Aleksandrov: "There Is Reason for Doubt: Certain Questions Concerning the Regulation of Foreign Economic Activity"]

[Text] Lately measures whose advisability in the overall context of the reform and whose effectiveness for solving current problems seem doubtful have been adopted or are being prepared for adoption in the sphere of the regulation of foreign economic activity. First and foremost among these measures are the introduction of the mandatory sale of foreign exchange by exporters as of mid-November, and the preservation until 1996 of price coefficients for centralized imports.

#### The Introduction of the Mandatory Sale of All Foreign Exchange Earnings by Exporters

This measure is aimed at two goals:

- the stabilization of the ruble exchange rate by increasing the supply of foreign exchange in the market;
- the mobilization of foreign exchange for servicing the foreign debt and financing centralized imports.

It can be claimed that the first goal—the stabilization of the exchange rate—cannot be achieved by introducing full mandatory sale, and the use of mandatory sale to mobilize foreign exchange will require further steps in the direction of abandoning the liberalization of foreign trade and an open economy.

From every indication, the results of the proposed measure will differ from those that are expected. An additional supply of foreign exchange will be balanced by an additional demand for it. If even at today's exchange rate enterprises prefer to hold their money in foreign exchange without exchanging it for rubles, there are no grounds for supposing that their demand for foreign-exchange assets will decline with the introduction of mandatory sale. If restrictions on the purchase of foreign exchange are not introduced simultaneously, the enterprises that are forced to sell it will immediately get into the market to buy a corresponding amount of foreign exchange to supplement their assets.

A need arises to preserve and strengthen restrictions on the purchase of foreign exchange. If the demand for foreign exchange persists and the possibilities of purchasing it are limited, for example, to those that have a contract for imports, one may expect an expansion of the practice of fictitious import contracts, which it is virtually impossible to control, and a refusal to repatriate export earnings.

The next step will be the introduction of a special, reduced exchange rate for exporters. Under conditions in which the government is purchasing foreign exchange

from the Central Bank at a floating rate and the Central Bank itself is not buying foreign exchange but acquiring it from exporters on a mandatory basis, strong incentives are created for both the government and the Central Bank to "save" rubles. After all, with the introduction of a reduced exchange rate, foreign-exchange receipts will not decline (over the short term). At the same time, a desire arises to strengthen control over exports and centralize a large portion of export operations (compare Pavlov's foreign-trade policy).

Even statements about the possibility of introducing the mandatory sale of foreign exchange are giving rise to a flight-from-the-ruble syndrome. The actual introduction of the mandatory sale may lead to panic on the currency market. Immediately following Gaydar's statement of support, in the most general terms, for the mandatory sale idea, the ruble exchange rate dropped in two jumps to R248 and then to R254 per dollar. Last Tuesday, following Yeltsin's confirmation of the idea, it reached the level of R342 per dollar. On Thursday it was R334 per dollar.

The mandatory sale of foreign exchange is an additional tax on exports. Even if foreign exchange is sold at a market-equilibrium rate and purchased freely, transaction costs will be at least 6 percent, which for an exporter is equivalent to a 6-percent tax on earnings from sales. A cost of banking services for foreign-exchange operations (an account charge, a deposit charge, a transfer charge) that is exceptionally high by world standards is maintained by an informal cartel agreement among Russian banks that have licenses to conduct such operations, and that cost cannot be lowered rapidly. And when an artificially high exchange rate is applied, the difference between it and the equilibrium rate constitutes a hidden tax. In any case, the mandatory sale of foreign exchange reduces the incentives to boost exports. Considering that the present ruble exchange rate creates a unique opportunity for Russian goods to break through into international markets, it would be a good idea at least to refrain for two or three years from measures detracting from incentives for exports. The experience of liberalization in many countries indicates that such an opportunity is presented only in the initial stage of reform.

Not in a single country in the past 20 years have administrative measures, including the mandatory sale of foreign exchange, made it possible to escape the dollarization of the economy. Only macroeconomic stabilization allows a national currency to crowd reserve foreign currencies out of internal circulation. Even in countries with a strong state administration, the intensification of administrative control over foreign-exchange operations has resulted only in shifting those operations to the realm of the shadow economy, not in substantially reducing the volume of them. Given today's financial communications, effective control over international financial transactions is virtually impossible.

Is it possible to have a different policy of currency regulation that can slow down the flight of currency from

countries and stabilize the ruble exchange rate? In our opinion, it is. At the present stage of the reform the following objectives in currency regulation may be set:

- The stimulation of exports. We must take advantage of the unique opportunity that the low ruble exchange rate presents to Russian exporters to break through into foreign markets. The experience of China and the Southeast Asian countries persuades one of the possibility of a breakthrough. Measures that impose an additional burden on exporters should not be adopted.
- The formation of a practice of transparent and honest financial reporting and the proper and timely payment of taxes. At least in the initial stage of the formation of an open economy it is important to avoid strong incentives for concealing earnings, evading taxes, etc. Once it emerges and has taken root, such a practice is very tenacious. Today it has still not become conclusively established.
- The full repatriation of export earnings and other foreign-exchange revenues. The influx of foreign exchange into the country is more important than its exchange for rubles. The influx of current receipts and capital may stabilize the exchange rate, even if the foreign exchange is not sold but kept in Russia.

As a practical step in lieu of the introduction of the mandatory sale of foreign exchange by exporters, it would be a good idea to focus efforts on providing for the full repatriation of foreign-exchange earnings from exports and other foreign-exchange revenues, a repatriation which is already mandatory for Russia's residents today.

The timely transfer of foreign exchange to Russia's territory should be put under control. Sanctions should be introduced for nonrepatriation, with the exception of stipulated minimum sums and cases of special commercial need.

In order to implement the policy of mandatory repatriation, rapid changes must be made in banking. They can be achieved through the maximum simplification of foreign banks' access. In particular, we might consider the practice of automatically granting licenses to banks certified in countries with a stable and reliable banking system (the United States, Great Britain, the FRG, France, Austria, etc.).

At the same time, it would be advisable to revoke a number of existing restrictions on foreign-exchange operations within the country, expand the range of banks allowed to engage in internal foreign-exchange operations, and allow all enterprises, organizations and citizens to open foreign-exchange accounts.

#### **The Preservation of Price Coefficients for Centralized Imports**

With the introduction of a uniform ruble exchange rate, the problem arose of the prices of goods supplied through centralized imports whose purchases were

financed with foreign loans to the government, or under government guarantee, or with foreign exchange purchased by the Ministry of Finance with State Budget monies. Consumers found themselves unable to buy imported goods at the full price. Under pressure from them, a decision was made to grant State Budget subsidies for imports. The procedures developed by the Ministry of Foreign Economic Relations, with the participation of the Ministry of Finance and Ministry of the Economy, for the setting of prices for goods supplied through centralized imports provide for preserving until 1996 the system of applying price coefficients to the exchange rate for calculating ruble prices. Such a decision seems extremely ineffective. It will not make it possible to normalize the structure of internal prices, will create incentives for increasing imports financed by state credits, will result in increasing the foreign debt, will concentrate the pressure on the government from enterprises that are consumers of imports, and will impede the formation of an open economy.

The preservation of price coefficients means maintaining control over the prices of a substantial portion of goods. Such a policy was justified when other prices were also controlled by the state. In a situation in which prices have largely been freed, maintaining fixed prices in a certain segment of the market means shortages, artificially high demand, the inefficient use of resources, bureaucratic allocations and high middleman prices.

The unsatisfied demand for centralized imports will result in their rapid increase, raise the balance of payments deficit, and require an increase in foreign indebtedness. There is every reason for supposing that today's import level has artificially been greatly increased by artificially low prices for centralized imports of goods. For a number of goods, enterprises will prefer to fight to obtain subsidized imports even when Russian replacements offered at uncontrolled prices are available on the market. Under pressure from industry and agriculture, the government will be forced to resort to securing commodity credits in amounts considerably exceeding the \$5 billion to \$6 billion planned for 1993. The Ministry of the Economy's preliminary estimates place the need of industry and agriculture for centralized imports at \$20 billion to \$25 billion a year.

A large part of the subsidies will go to middlemen. In that case, when the goods, rather than the consumers, are subsidized, the state is unable to control the real allocation of subsidies. Among enterprises, subsidies go both to those that are in dire financial straits and those that operate with stable profits.

The government finds itself under pressure from enterprises. A considerable portion of the time and efforts of the country's top leadership will go to coordinating lists of subsidized imports. Already emissaries give no peace to the offices of the prime minister, his deputies and executives of the Ministry of Foreign Economic Relations, Ministry of Finance and Ministry of the Economy.

Experience indicates that even the stanchest eventually give in. Dozens of new items are added to import lists every month.

Centralized imports are crowding out free trade. Preserving a system of centralized imports based on the subsidizing of prices will require further measures intensifying the centralization of foreign economic activity, including measures for mobilizing foreign exchange and a subsequent abandonment of a free exchange rate, the control of trading and brokerage organizations, the intensification of mechanisms for the nonmarket allocation of goods, and so forth.

From every indication, the granting of budget subsidies to enterprises whose production requires imported goods supplied under interstate agreements is a necessity. However, the policy of subsidizing could be much less destructive of the reform. An important step would be to shift from price coefficients to the provision of direct subsidies to consumer enterprises. Considering that subsidies would enable them to buy imports at free prices for a certain time, part of the goods could be purchased through commercial channels, and another part could be replaced by Russian equivalents.

That would make it possible to rapidly limit the centralized importation of the goods (grain, certain types of spare parts) necessary for the maintenance of a minimum public living standard and for the operation of the economic infrastructure, and eventually to full abandon the state financing of imports.

### Machine Imports Outweigh Exports

934A0064A Moscow DELOVOY MIR in Russian  
12 Sep 92 p 1

[Report by Valentin Sinko, doctor of economic sciences: "Equipment Must Be Imported but Intelligently"]

[Text] The following fact cannot be ignored: Russia has a negative balance in its machine-building foreign trade. Its imports exceed its exports by a factor of 2.9.

What are we buying? The list is extensive: equipment for the food, clothing, textile, and chemical industries, the power industry, and computer and household equipment.

Imports from distant foreign countries are just that. Now, however, Russia has become more dependent on procuring machine-building items from the former USSR republics. This has been helped by the old structural policy of specialization and location of production facilities. With a sufficiently developed electrical engineering industry in Russia and other countries of the former USSR, each one of them separately cannot by itself produce the electrical engineering items it needs. A number of such examples could be cited.

For example, Russia's automobile industry can satisfy 70 to 80 percent of the country's need for motor vehicles.

Automotive vehicles are being supplied to Russia essentially by Ukraine, Belarus, and Hungary. Technological equipment imported for Russia's light industry accounts for 28.1 percent; it is 23.1 percent for the food industry. This is another inescapable fact.

The higher the potential of the country, the more essential become its needs for machine-building output within the full gamut of varieties, and sizes. At the present level of development, no single country is able to meet its own needs for machine-building output from domestic production alone.

What the Russian machine-building complex must master above all is strategically important varieties, such as multiple-purpose motor vehicles to meet the needs of the various economic sectors, equipment for the bread baking industry, power drives for technological equipment with programmed controls, mainline diesel locomotive engines, metal cutting equipment for the petroleum industry (pipe- and sleeve-machining tools), and transformer substations.

The overall strategy of import substitution in Russia's machine-building complex must contemplate the development of conditions for expanding domestic machine-building output, with sufficient competitiveness on the domestic market compared to similar imported items. The experience of industrially developed countries indicates that the share of imports in machine-building output consumption not exceeding 30-35 percent is considered entirely admissible and even necessary for the importing countries. However, this applies if no unnecessary burdens are assumed by the country's balance of payments, i.e., if the production and consumption of goods in the economic sectors is properly balanced. In this respect, characteristic of Russia's economy is a persistent increase of consumption of machine-building goods over production. In particular, 1989 data indicate the level of such an excess totaling 10.1 billion rubles (in current prices) which, for that period, corresponds to \$4.5-5 billion, entirely paid out of the country's foreign exchange reserves. The task of replacing imports, the solution of which should, as a minimum, balance Russia's production and consumption of machine-building items, is essentially the main task in optimizing the substitution of imported deliveries of equipment with domestically manufactured goods. A study has indicated that in defining priorities in the development of import-substituting production facilities we must take into consideration the countries benefiting from the most favorable status in their foreign trade with Russia. This includes Latvia, Lithuania, and Estonia, relations with which will be structured on the basis of the usual standards, with accounts settled in freely convertible currency and, for the immediate future, on the basis of clearing agreements. At the same time, the trends in formulating programs for import substitution in Russia must take into consideration economic relations with the CIS countries which, in the immediate future, will still

remain within the ruble foreign-trade zone and economic relations with which will be based on intergovernmental trade regulations (partially on barter).

Substituting imported goods with domestically manufactured ones should not be limited only to direct capital investments in creating or increasing production capacities but also should include scientific research and experimental design. This should be assisted by encouraging extensive scientific-production cooperation with exporting companies and, in some cases, with investments made abroad by domestic enterprises in export-oriented production facilities, such as the Skoda Concern (in Chechia), which is our traditional supplier of passenger electric trains; the Balkankar Company (Bulgaria) which produces electric loaders and power trucks; TEZ (Estonia) which produces power semiconductor instruments, etc.

One of the actual efficient ways of developing import-substituting production facilities is the participation of foreign capital in various forms (concessions, joint enterprises, based on licenses, etc.). This process can be stimulated by combining a beneficial system of investments with customs barriers for imported finished machine-building items. Extensive use should be made of various entrepreneurial methods, including the founding of small innovation companies, through their participation in governmental programs, easy crediting and taxation, and other forms.

**UK Firm To Build 'Moscow City' Business Center**  
*934A0040B Moscow KURANTY in Russian 24 Sep 92 p 8*

[Article by Pavel Zakharov: "Moscow City"]

**[Text]** An agreement between the Moscow government and the English company WCEC was signed recently in the White Hall of the Moscow City Soviet. According to the agreement, a 2.5 hectare plot of land located in the Krasnaya Presnya area on the Moscow river bank will be leased to the English company. The term of the lease is 49 years. The annual rent is about \$1 million. The English side will pay a down payment of 15 percent of the total lease amount for the entire term of 49 years. So, in a few years, Moscow City will appear.

Journalists do not get too many chances to be spoiled by invitations to such events. It has happened many times, unfortunately, that they have learned about deals between the government of Moscow and foreign companies from rather doubtful sources. This led to public frustration, which was sometimes justified but sometimes artificial. The cause was the lack of any official and responsible information.

This time everything was open and straightforward. All the explaining was made by L. Vavakin, Moscow chief architect, and I. Ordzhonikidze, deputy prime minister and head of the Moscow government foreign relations department. They gave a detailed description of the land,

what would be built there, how the buildings would be utilized, and the gains from it for Moscow and its residents.

Our primary concern was whether this project would affect the interests of Muscovites in any way. According to L. Vavakin there is no major residential development on this land except for dormitories belonging to ferro-concrete plant No. 8. The families that lived there are now moving to other houses. The area is generally an industrial zone with storage facilities, construction plants, and the brewery imeni Badayev, which is well known to Muscovites. The ecological situation there is rather serious. L. Vavakin compared this area with the former Moscow garbage dump where the Luzhniki stand at present. He promised that there will be just as many trees and shrubs.

What has made it necessary to lease this land? I. Ordzhonikidze explained that now, when Russia is returning to the road of world civilization development, when the links with foreign business people are increasing considerably, Moscow simply has to have a modern international business center. We do not have a sufficient number of hotels, office buildings, or residences. Foreign companies are prepared to pay big money and hard currency for normal conditions of life, work, and recreation. Until now Moscow could not provide any such conditions.

So, the City complex will be built on the leased territory and will comply with the requirements of business people and entrepreneurs, both foreign and ours. Among other things, a 100-story tower named "The Russia House" will be built there. It is supposed to accommodate the Russian oil companies. Work on the project is being carried out together with American corporations which have an immense experience of building high-rise buildings. The terms are as follows: We get 70 percent, our American partners get 30 percent.

One of the first sites to be started in the City complex will be the Moscow international journalism center. It is being built with Italian commercial credit given to the Moscow government under their own guarantees, including collateral ones. In this way the 2,200 press bureaus that are accredited now in Moscow will be able to work and live comfortably.

In other words, the Moscow international business center will provide maximum services and comfort for the work of our domestic and foreign firms. In accordance with Western urban construction practice, the ground floors of the buildings will house numerous restaurants, cafeterias, museums, and exhibition halls.

The construction of the City complex will entail construction of many vital municipal services. Recently, Moscow Mayor Yu. Luzhkov signed the decision to lay a tunnel under the Moscow river which would connect the complex with the Zapadnyy river port on the other bank.

An ex-warehouse will be set up there to receive cargo assigned for the construction and maintenance of the complex.

There is also a plan to build a monorail from Sheremetyevo airport to the City and from the City to Domodedovo airport. It goes without saying that the road will carry all passengers, not only foreigners. A subway line will be built between Poklonnaya Gora and the City and at some further stage it will join the Ulitsa 1905 Goda and the former Exhibition of the Accomplishments of the National Economy subway stations. In their turn, the new underground lines will allow a considerable increase in the number of telephones in Moscow because this will mean the reconstruction of all inter-rayon telephone exchanges.

Here is one more attractive perspective. Moscow City will give us a chance to rise to the level of Western technology in the construction of certain engineering infrastructures. There will be small-size power plants that were never produced here, for instance, vacuum trash disposal systems and other technical gadgets "from over the border."

As for the Badayev brewery, lovers of this barley drink should not feel concerned. It has been already decided to create a new enterprise involving modern technology on the basis of this brewery. So in the nearest future our beer will be just as good as some famous Czech or German brands.

Finally, the construction of the complex on the leased property means thousands of additional jobs which, you have to agree, is rather important on the threshold of the coming unemployment.

In general it is a grandiose project. According to preliminary estimates made by our own and English experts it

will cost \$350 million. For comparison, we have to tell you that all the programs that are being implemented in Moscow at present by over 30 foreign construction companies do not exceed \$600 million.

Concerning time limits. During this year and 1993 the territory will be cleared. At the same time, designing the buildings will take place next year along with discussion and approval of the designs. As expressed by Jeffrey Whittam, manager of the English company WCEC, "we have to work out everything, right down to the smallest detail." Large-scale construction will be going on in 1994 and 1995, and the buildings are expected to be ready for occupation in 1996. The subway builders expect to connect the City with Poklonnaya Gora by this time.

But there is one problem which I. Ordzhonikidze did not try to hide from journalists. It is the problem of public opinion. Our people sometimes still feel very apprehensive, if not distressed, about foreign investments in our country. This is easy to understand. We have been isolated from world development for too long a time, we have become used to treating anything capitalist with some suspicion: What if they cheat us? What if they do some damage? Neither do we trust our own administrators in such deals: Are they selling our Russia? Are they trying to line their own pockets?

The administrators themselves, unfortunately, gave rise to such accusations. Some initiatives that could have been quite good fizzled out for the single reason that there were attempts to implement them in secrecy, in isolation. Such actions always arouse public unrest, if not worse.

In this case, obviously no one is going to sell out Russia or Moscow. This was the declaration made by the Moscow government through its minister.

**POLITICAL AFFAIRS****Chornovil Accuses Security Service of Disinformation Campaign**

*93UN0057A Kiev VECHERNIY KIYEV in Russian  
25 Sep 92 p 1*

[Press statement by V. Chornovil, cochairman of Rukh, under the rubric "Political Life": "What Is More Terrible than a Pistol: A Statement for the Press by V. Chornovil, Cochairman of Rukh"]

[Text] Alarming reports on widespread rumors aimed at compromising Rukh and its leaders have been coming recently from Rukh activists in different parts of Ukraine.

It has already been a year since the story was launched in an organized manner throughout Ukraine that in some television speech I proposed budget savings by eliminating pensions and sending pensioners to live off their children.

The Rukh position, as is well-known, is exactly the opposite: we are for increasing the size of pensions and providing effective social support of the poorest strata of the population.

The organizers of the provocations used the proven device of Bolshevik propaganda: a lie must be terrible if it is to be believed.

It is not difficult to guess that the widespread dissemination of this false story which has now reached almost every place in Ukraine involved the action of an organized structure—which most likely included the state administration in general and the Security Service of Ukraine with its numerous agents who are still concealed from KGB times in particular. We even have documented confirmation of this. An editorial in the newspaper ZARYA, the organ of the state administration of Dnepropetrovsk Oblast, from 27 August wrote:

"... Is it right and humane to threaten the poor, especially pensioners, with the idea that supposedly they must live off their children rather than at the expense of the state? People are talking about this indignantly in almost every courtyard today."

Two years ago, when in communist encirclement democratic Lvov made decisive political changes, anti-Russian and anti-Jewish leaflets supposedly from unnamed "democrats" began to appear on the streets of Lvov. In my statement on television on this I said: "If the KGB does not find the authors and distributors of the leaflets, then the KGB people themselves are doing it." After that there were no more provocative leaflets on the city's streets. Today I am again appealing to that same KGB, which has changed its label to SBU:

**Comrade Marchuk! Either you protect the honor of a people's deputy by interrogating the editor of the organ of the Dnepropetrovsk State Administration for a start, or I will have every reason to believe that you were the one who**

**organized the dirty campaign against me. And the question naturally comes up: should we continue at poor disabled persons' and pensioners' expense to support an entire army of highly-paid spongers who, while conniving with the antistate conspirators in the Crimea, the Transcarpathians, and the Donbass, have instead waged a secret fight against the democratic opposition?**

Inasmuch as the tale of Chornovil as an enemy of pensioners was first released back during the presidential election campaign, in particular in Kirovograd and Poltava oblasts, and undoubtedly influenced the election results, the revival of this piece of scandal now raises boggling questions:

**What new elections have the state special services already begun to prepare for?**

**Or are they perhaps preparing public opinion for an antistate coup and reprisals against the democrats?**

Kiev, 23 September 1992.

**'New Ukraine' Figure on Possible Coalition Government**

*93UN0058A Kiev NEZAVISIMOST in Russian  
30 Sep 92 p 3*

[Interview under the rubric "Topic of the Day" with Taras Stetskiv, people's deputy and member of the presidium of "New Ukraine," conducted by V. Andreyeva; date and place not given]

[Text] Divide and conquer. The present powers-that-be have learned this old truth well. The fissures and cracks which have appeared in the formerly monolithic anti-communist democratic bloc by no means strengthen the foundations of a state which people would like to see not totalitarian but civilized. Our present conversation with the people's deputy and member of the presidium of "New Ukraine," T. Stetskiv, is about this and other pressing problems.

[Stetskiv] More and more often the cry on the "street" is: look, there they are, our democrats! They came to power and aren't doing anything to improve our life. But the democrats, strictly speaking, have not yet been in power. And they still aren't. Nonetheless it is not easy to prove that: two or three names will now come into play. It seems to me that the present authorities are very advantageously placing representatives of the democratic forces, so to speak, in the presidium. In the masses popular individuals serve as a screen for the facade of power, and policy, which they do not influence, is made behind the scenes. In this way, in addition to everything else, the administrative-bureaucratic system discredits the democrats.

[Andreyeva] Echoes of recent events can be heard in your bitter tirade.

[Stetskiv] You are right. The point is that on the eve of the president's meeting with the opposition forces, he held negotiations with the Congress of National-Democratic Forces [CNDF] leadership. This was the day

before the conversation with Rukh and "New Ukraine." And Leonid Makarovich proposed to nominate candidates to posts in the government only from the "loyal" CNDF. There is a danger that as a result of these "separate" understandings the anti-people government will be "decorated" with names which the people associate with the national liberation movement.

[Andreyeva] I don't quite understand you: So then sincere democrats should sit and fold their arms and refuse the posts where they might influence the state of affairs in Ukraine?

[Stetskiv] The trouble is that those people who take these posts "by mutual consent" will be unable to have any real, progressive influence. The fate of Lanovyy awaits them. That is, the question will look like this: Either yesterday's democrats accept the rules of the game or they will quickly be cast out. Whether to take power is the question of questions. One answer is possible: of course, take power. But how?

First, the reforms can be ensured only by coming as a team rather than one by one. But the most important thing is that guarantees are needed; agreements with the president can be built on them and only on them. Guarantees of the start of the reforms and of the "surrender" of the most reactionary members of the Cabinet of Ministers.

[Andreyeva] Do you mean the creation of a coalition government which there has been so much talk of recently?

[Stetskiv] Yes. But the general picture of the make-up of such a coalition government is changing in accordance with the new realities. In my opinion it should look like this. Some of the posts will be kept for middle-level specialists from the present government. But the main role in it will be played by people who are not simply new, but also intelligent managers who have real experience in management. And, finally, the third component—democratic politicians. It seems to me that the president will more easily agree precisely to this variant. For Kravchuk's unwillingness to break with the antireformist government, which has already become a subject of general conversation, reveals a fear that is not without foundation: that given the current "mishmash" in parliament it will simply be impossible to elect a new premier and form a new government.

[Andreyeva] We cannot see inside other people's hearts. But really, in your opinion, is that the only thing the president is afraid of? Isn't there a normal feeling of self-preservation behind his obstinacy? What if suddenly, after driving their "armored train" over the Cabinet of Ministers and the Supreme Soviet and sweeping them away, the opposition keeps going, after the president himself?

[Stetskiv] Here is what I have to say about that. In the complex period of the formation of a state it is dangerous to destroy everything there is. And the potential coalition of the three leading political forces, Rukh, "New

Ukraine," and the CNDF, can serve as a certain guarantee of stability. If, to use your terminology, some superradical keeps the "armored train" going, the other two forces will take the role of a distinctive kind of brakes.

[Andreyeva] After the charges against the CNDF and after the obvious evidence that the leadership of the URP [Ukrainian Republican Party] (and the URP plays first fiddle in the CNDF) has a very uncritical attitude toward Fokin's government, the presence of the Congress in an opposition coalition is very problematical.

[Stetskiv] Nonetheless, our cooperation is certainly possible: we are speaking of three centrist forces where Rukh represents the left, the CNDF—the right, and "New Ukraine"—the liberals. Especially since you correctly noted that the URP leadership is smitten with love for the Fokin government. But the masses in this party are much more radically inclined.

[Andreyeva] Given the truly enviable, I could say Bolshevik, discipline in the URP ranks, the opinion of the party base can hardly be called decisive.

[Stetskiv] Time will tell. But as for cooperation I want to add these considerations. The life and death of the young state, I am not afraid of strong words, depends on the centrist forces' willingness to work in a bloc, at least on the most important issues. It is not out of place to recall history. Hitler came to power in Germany at one time on the wave of social difficulties, torch-light parades, and storm troopers. And in France, where conditions were in many respects the same at that time, the fascism which had raised its head was not allowed to grow stronger. For there the consistently democratic forces did not quarrel among themselves but created a united front. That's right. Although, of course, there are difficulties on the path to a potential bloc. And one of them is precisely the democrats being "pulled out" of the ranks one by one, being bought off.

[Andreyeva] The term "bought off" is a serious accusation.

[Stetskiv] It should not be understood in a primitive manner, as if money were placed in someone's opened pocket. Whoever is not bought off with material goods can be tempted with a post, fame, the illusion of responsibility and importance... But as a rule it is easy to buy off people in a poor society. The power structures try to discredit whoever they cannot buy off.

[Andreyeva] The arguments which assert that the present government and today's Supreme Soviet have outlived themselves are familiar. But it is difficult to resist the temptation to be, so to speak, hyper-objective and not to ask just how are the present powers-that-be bad, in your opinion?

[Stetskiv] For pity's sake, must we begin "from Adam"? For me, for example, it is altogether sufficient that even in the conditions when the land was burning beneath the government's feet, it was unable to prepare a sensible program in the two and one-half months set aside to do

so. The program was recalled literally a few hours before it was to be submitted to the Supreme Soviet and another 10 days was requested. What can be done in 10 days if nothing was done earlier? And in general terms my thoughts turn to the recent celebration of the first anniversary of independence. Did we have grounds for feeling like celebrating? An independent state in which economic reforms have not advanced even one step, an independent state which does not have a strong army and which has not taken its proper place in Europe (in terms of geographical position and ultimately in area and population) and must follow Russia's lead out of the lack of intelligent foreign policy doctrines. I remember when V. Durdinets was speaking in honor of Independence Day and listed the states which had recognized Ukraine. I am sure that Trinidad was recognized by just as many.

### Tatar Local Government Conflict Growing

#### Kiev Role in Tatar Conflict Pondered

*93UN0073A Moscow NEZAVISIMAYA GAZETA in Russian 6 Oct 92 p 1*

[NEGA report and commentary by Vitaliy Portnikov, NEZAVISIMAYA GAZETA correspondent: "On Whose Side Will Kiev Be? Confrontation Is Building Up in Crimea"]

[Text] At 9 o'clock in the morning on 5 October, Crimean Tatars blockaded the roads leading to Simferopol.

The Tatars want in this way to attract the attention of the leadership of Crimea and the residents of the peninsula to their problems. The reason for the action, in particular, was the devastation of a temporary compound of Crimean Tatars in the little town of Krasnyy Ray on the night of 1 October.

Militia details arrived at the blockaded sectors, but they did not interfere. Crimean Tatars began to picket the procuracy of Crimea at 10 o'clock in the morning. The picketers were demanding the immediate release of those who were arrested by the militia during the pogrom of the Crimean Tatars, and also to bring the guilty parties in this violence to trial.

Today, an emergency session of the majlis is being convened to assess the situation and to examine the question of its possible normalization. But in the meantime, all of the majlises in the localities, and political and social organizations and labor collectives have been instructed to get ready for possible actions under conditions of a state of emergency.

The Confederation of Repressed Peoples of the Russian Federation has come out with a statement in connection with the recent events in the Crimea (text of the statement is published on the third page).

#### Commentary

The republic under the blue, white, and red flag—the Crimea—has found itself on the threshold of an explosive national confrontation. For the first time, it seems,

Ukrainian TV showed its viewers internal information clips similar to reports from remote Abkhazia or the nearby Dniester region: bloodstained faces and banded heads.... However, the intonation of the report on the destruction of the temporary compound near Alushta, and the decisions of the majlis of the Crimean Tatar people on the organization of a campaign of civil disobedience, is also reminiscent of information about what is occurring somewhere in another country. But meanwhile, the confrontation that marked political life in countries neighboring Ukraine also reached its borders. Of course, Crimea, possibly this time as well, will succeed in refraining from slipping into civil war—but the symptom of a possible crisis is present. And it is conditioned not only by a poorly concealed reluctance of the authorities of Crimea regarding the return of Crimean Tatars, and not only by a radicalization of the Crimean Tatar national movement, which is natural in such a situation, but also by the policy of official Kiev, more accurately, by the absence of such a policy.

It would seem that the Crimean Tatars should have been able to become the natural allies of Kiev in its aspirations to settle the territorial indivisibility of Ukraine: They, as a rule, declared their adherence to the idea of state autonomy in the system of this country. But the leadership of Ukraine preferred a complex flirtation with the Crimean authorities to a union with an "active minority." The foundation of this flirtation was the institution by the Supreme Soviet of Ukraine of the Crimean Republic already as a territorial, but not a national-territorial autonomy. Nikolay Bagrov, the chairman of the Supreme Soviet of Crimea, and his team were able to hold back the Crimeans from rash decisions concerning the independence of the peninsula, and its status as a part of Ukraine was fixed in the constitution at the last session of the Supreme Soviet of the Crimea. But will this leadership be able to preserve peace on the peninsula, without having found a common language with the Tatars? And on whose side will Kiev be if a conflict, nevertheless, flares up? Will it be able to balance between opposing sides, will it end up in the role of mediator between them, or will the leadership of Ukraine have to pay off the Crimean authorities for continued loyalty? Moreover, the problem of the attitude inside the Ukrainian establishment itself toward the Crimean Tatar problems remains open: As is well known, the democratic forces in Ukraine are actively cooperating with the Crimean Tatar national movement. Both the opposition forces and the national forces in Ukraine that are close to the authorities treat the Crimean leadership with open hostility.

#### RF Confederation of Repressed Peoples Supports Tatars

*93UN0073B Moscow NEZAVISIMAYA GAZETA in Russian 6 Oct 92 p 3*

[Text, "Declaration of the Confederation of Repressed Peoples of the Russian Federation in Connection with Recent Events in the Crimea"]

[Text] Document

The Confederation of Repressed Peoples states with indignation that the policy of genocide with respect to the Crimean Tatar people is continuing. Instead of adopting effective measures to restore justice, full rehabilitation, and a return of the people to their homeland, the Crimean authorities are committing new crimes against them. This is the only way to categorize the gangster-like action undertaken by the Crimean OMON [special purpose militia detachment] on 1 October against the camp of home builders—Crimean Tatars who had returned to their own land. The camp and the temporary construction were leveled to the ground, and people were brutally beaten—more than 20 persons were injured and hospitalized, property was ransacked, and criminal charges were brought against a majority of the people.

After inflicting beatings of unparalleled brutality on peaceful citizens only because they had dared to settle on a vacant lot, conventionally called a garden, the authorities thereby confirmed their own participation in genocide and a reluctance to recognize the right of repressed people to rehabilitation. Today, of 200,000 Crimean Tatars returning to the Crimea, only 80,000 have housing.

In this connection, the Confederation declares:

1. The Supreme Soviet and the government of Ukraine bear full responsibility for the consequences of the massacre of a peaceful people.
2. We demand punishment of the initiators and executors of the carnage, which has already been repeated a second time in the little town of Krasnyy Ray, and compensation for the injury to the victims of this heinous crime.
3. The Confederation reserves the right to undertake effective measures to protect the violated rights of the Crimean Tatars and of other repressed peoples.

The Confederation of Repressed Peoples appeals to the authorities of the CIS states to examine the draft on the restoration of the rights of repressed peoples presented by the Confederation to the expert group of the Council of CIS Heads of State through organs of state authority of the Russian Federation.

[Signed] I. Aliyev, President of the Confederation of Repressed Peoples

**Crimean Congress of Ukrainians Supports Tatars**

92UN0114A Moscow NEZAVISIMAYA GAZETA  
in Russian 13 Oct 92 p 1

[Article by A. Pilot: "All-Crimean Congress of Ukrainians Called for Consolidation and Also Supported Demands of Crimean Tatars"]

[Text] The All-Crimean Congress of Ukrainians, which opened in Simferopol on 9 October, took place under the motto "Crimea - Ukraine-Europe."

The principal task of the congress, according to Yuriy Kolesnikov, chairman of the organizational committee, was: "Preservation of the status of Crimea as an integral part of Ukraine and ensurance of its democratic development." Kolesnikov stressed that "Ukraine is not just for Ukrainians, but—a state for all nationalities living on that land."

The congress was blessed by Archbishop Antoniy of the Kiev Patriarchate of the Ukrainian Orthodox Church, and a women's choir performed the church hymn "Almighty God, Protect Ukraine for Us."

Nikolay Zhulinskiy, state counselor of the president of Ukraine, read the greetings from Leonid Kravchuk, which, in particular, stated: "I hope that this congress will serve the cause of greater mutual understanding among nationalities both in Crimea and in Ukraine as a whole. I am confident that it is only with ethnic and political self-esteem and profound respect for the culture of each nationality that a true friendship among them is possible... I believe that Ukrainians will place peace and harmony above all and do everything possible for the revival of this wonderful region."

The speakers expressed support for the just struggle of Crimean Tatars for the creation of an autonomous Crimean Tatar state on the peninsula as part of Ukraine along with indignation concerning the decision of the extraordinary session of the Supreme Council of Crimea which labelled Majlis activities as being against the constitution. A demand was heard urging repeal of "this disgraceful decision." The message from the congress to the president and the Supreme Council of Ukraine contains the appeal "to recognize the Majlis as the sole representative organ of Crimean Tatar people in Crimea."

Rifat Chubarov, deputy chairman of the Majlis delivered a speech in Ukrainian. "Crimea is a constituent part of the Ukrainian state," he stated. "But Crimea must have a special status proceeding from the fact that it has an indigenous nationality. On 12 February 1992, when the parliament of Ukraine recognized the Crimean ASSR [Autonomous Soviet Socialist Republic] it ignored Crimean Tatars. In Crimea there can only be a Crimean Tatar national autonomy and not an autonomy, as presently asserted by the authorities, based on some form of territorial principle, purporting to be an autonomy of all nationalities living in Crimea."

Vyacheslav Chornovil, cochairman of the National Rukh of Ukraine, declared that "attempts to categorize Crimean Tatars as a national minority is totally absurd. We support the demands of the Majlis concerning its recognition as the only organ representing Crimean Tatars."

The All-Crimean Coordination Council of National Democratic Forces of Crimea was formed at the congress. Its principal purpose is: "Ensurance of inviolability of the union of Crimea and Ukraine and preservation of peace, political stability and national harmony."

**Pragmatism Said to Rule in Crimea**

93UN0101A Kiev GOLOS UKRAINY in Russian  
7 Oct 92 p 3

[Article by V. Skachko: "Subjective Opinion of a Special Correspondent—The Pragmatists Won"]

[Text] Analysis of the political situation

Events at the ninth session of the Supreme Council of the Crimean Republic on 24 - 25 September of this year at first glance appear to be paradoxical and contradictory. First the Crimean deputies adopt laws dealing with symbols of the state and proclaim the state flag of their republic to be what is almost an exact copy of the traditional Russian "tricolor": the blue - white - red flag. The next day they approve a law concerning the introduction of their own legislation and a constitution in accordance with legislation and the constitution of Ukraine. Even though the "Russian motif" is perceptible in that document as well (the Russian language is recognized not only as the state language on an equal footing with Ukrainian and the Crimean Tatar language, but also as the official language of business), with a new article, in principle, it leaves Crimea as an autonomous component of Ukraine whose status can never be altered in any way without consent of the Supreme Council of Ukraine and Crimea. More than that, it limits the circle of questions that may be the subjects of All-Crimean referendums which means that it becomes impossible to conduct a referendum in Crimea on its independence. The fact that citizens of Crimea are simultaneously citizens of Ukraine and vice versa was also established.

On the other hand, however, such decisions are completely legal inasmuch as they quite adequately reflect both the distribution of political forces in Crimea and their political coloration along with the theoretical-ideological orientation.

Several political centers with their own ideological principles are today clearly differentiated in Crimea. First of all the frankly chauvinistic pro-Russian Republic Movement of Crimea (RDK), the "Russian Society," and the recently formed "All-Crimean Movement of Voters for a Republic of Crimea," etc. This center, with its various deviations, distinctions, and variations, follows in a clearly defined direction—transformation of Crimea either into a fully independent state or into a part of Russia no matter what. At the same time the economic unfeasibility of such a step is ignored together with public opinion and international legislation, which is completely unprepared for that and irrevocably recognizes the principle of inviolability of borders, etc.

Secondly, the former communist party and economic nomenklatura, which is formally without a party, but is actually in power. Preservation of power as much as possible constitutes the principal goal of these politicians since only this circumstance provides realistic levers for personal enrichment when privatization starts. They constitute a majority in the Crimean parliament.

Thirdly, the "Democratic Crimea" association and the All-Ukraine congress of deputies at all levels "For International Harmony and a Civil World." These people are of a general democratic, liberal, and liberal-democratic orientation, who have taken a clear-cut course toward a politically centrist position and declared that they form the opposition of existing authority and consider the "chauvinistic RDK" and, in their opinion, the "nationalistic People's Rukh of Ukraine" to be their political opponents.

The Crimean Tatar national liberation movement is a separate political force, but today it is insufficiently strong in order to influence the politics of autonomy. The recently restored Union of Communists of Crimea is large (over 30,000 members) and rather influential in a certain segment of the population. Serious politicians are presently distancing themselves from it. There are also other small pro-Ukrainian organizations which, unfortunately, have practically no influence at all: the committee "Crimea With Ukraine" and regional Crimean organizations of Ukrainian political and social organizations.

The main peculiarity of political struggle in Crimea today is its pragmatism both economically and politically. It conditioned the victory won by a coalition of politicians - pragmatists which unified representatives of the ruling nomenklatura of the peninsula with "Democratic Crimea." The former already have power and that means they will also own property as well. The latter are clearly and unequivocally basing their political convictions on realization of the economic unfeasibility of the detachment of Crimea from Ukraine. In the more than 30 years after the peninsula joined Ukraine two-thirds or more of all of its branches have been integrated into the economy of Ukraine and reorientation toward the Russian national economic complex under conditions of the general crisis would be long and would lead to only one thing: an even greater slide into crisis and a deterioration in the living conditions of the people. The people might not be able to endure and this would mean political instability, a possible social explosion and total chaos. To clearly thinking and farsighted politicians this is the most unfavorable way out of the situation.

Thus the pragmatists have today won in Crimea. When the Crimean parliament brings the legislation and the constitution of Crimea into full accord with similar documents of Ukraine, then the Ukrainian law on the division of power among organs of state power and administration of Ukraine and Crimea of 30 June 1992 will come into force and the nature of relations between them will be determined. Preservation of the new status quo will depend to a great degree on Ukraine and will be based on the same economic unfeasibility of a separation. The main factor for Ukraine will always continue to be the elimination of any possible provocations leading to anti-Ukrainian and anti-Russian moods in Crimea. Separatist moods will, of course, flare up periodically wearing various masks. The latest declaration by one of the RDK leaders, Vadim Mordashov, is evidence of that.

He reported that this RDK is dissolving itself and changing the word "republican" to "Russian-speaking" in its abbreviated designation. Alas, this does not alter the political essence of RDK. In reality, however, the true situation will be determined by the economy and that means, by the welfare of the people as well. There are quite a few examples in the world involving such a development of events. It is sufficient to recall Quebec, Scotland, the Basque separatists in Spain, and certain states in India.

### Poll Shows People Distrust Opposition

93UN0074A Kiev GOLOS UKRAINY in Russian  
26 Sep 92 p 2

[Article by Vladimir Skachko, under the "Sociological Survey" rubric: "Whose Rating Is Higher"]

[Text] The monthly newspaper UKRAYINSKIY OGLY-ADACH acquainted our readers with the results of a sample sociological survey on the trust of citizens in the main, in their opinion, subjects of Ukraine's political life: the Supreme Soviet, the president, the prime minister, and also People's Rukh and the New Ukraine association. The poll of 1900 citizens from 164 population points from 24 of the republic's oblasts, Kiev, and the Crimean Republic, was conducted by the scientific-practical sociological center Sociological Association of Ukraine, the Freedom Radio Research Institute, and the International Research Institute of Social Changes (Nyon, Switzerland); they attested that their polling methods allowed for no more than a 2.6 percent margin of error.

The pollsters received these results: This summer, the Supreme soviet was trusted by only 30 percent of the electorate; 37 percent did not trust it, and the remainder were indifferent. An alarming symptom, to say the least.

The highest rating among the republic's politicians was President L. Kravchuk's. At the same time, 44 percent of those polled trusted him, and 31 percent did not trust him. The poll also showed that, despite a certain retrogression in the process of the creation of the state and treading water since the elections 1 December of last year, this summer 55-59 percent of the voters would have given their votes to L. Kravchuk anyway.

According to the results of this poll, the one who can count least on the love of his countrymen is Prime Minister V. Fokin. Only 24 percent of those polled trust him, and 47 percent do not trust him.

Organizational and ideological instability in Rukh has led to a significant decline in its rating. Thus, 17 percent trust it, 49 percent do not trust it, and 34 percent did not commit themselves. New Ukraine, which was being asked about for the first time, is trusted by 12 percent; 31 percent do not trust it, and 57 percent did not commit themselves. Since New Ukraine is not trusted by a smaller number of those polled, the pollsters came to the conclusion that its rating is higher than Rukh's.

Since People's Rukh of Ukraine and New Ukraine are entering into the New Ukraine—New Parliament coalition, such indexes also appear interesting: Both associations are trusted most in Galichino—35 percent and 27 percent, respectively. Rukh is trusted least in Crimea (six percent) and in the Kharkov region (10 percent); and the most people do not trust it there as well (73 and 68 percent, respectively), and also in the Central (58 percent) and Eastern (57 percent) regions of Ukraine.

New Ukraine is also trusted least of all in Crimea (five percent), and also in Central Ukraine and in Nikolayev, Kherson, Dnepropetrovsk, and Zaporozhye Oblasts of Ukraine (eight percent each). The most mistrust of New Ukraine was expressed in the Central (49 percent), Northeastern (42 percent), North-Central (38 percent) regions of the republic. The pollsters also come to the conclusion that if elections, say, to parliament had taken place in the summer of this year, then Rukh could have received from 22 to 27 percent of the votes, and new Ukraine—from 21 to 26 percent. That is, in view of today's coalition of these forces, with the most favorable apportionment, they could have had a parliamentary majority. Incidentally, V. Filenko, Ukrainian people's deputy and leader of New Ukraine, once announced precisely this aim of his activity.

Of the groups, New Ukraine tends to be trusted most of all by students, workers, and teachers (20, 17, and 13 percent), and Rukh—first, by students; second, by middle managers and unemployed persons; and third, by scientists, cultural figures, and the mangers and owners of enterprises (22, 21, and 20 percent, respectively). Both organizations are trusted the least by kolkhoz and sovkhoz workers and, undoubtedly, by other segments among scientists, teachers, and managers of enterprises.

Of course, one can view the results of this poll in various ways, since the situation in the republic, and also popularity, are often dependent on people's unexpected reflexes and manifest sympathies. But in order to trust such measures, one thing is obvious: Many of them, and of different kinds, are needed.

### Poll Shows Little Faith in Parliament

93UN0057B Kiev NEZAVISIMOST in Russian  
26 Sep 92 p 2

[Results of poll conducted by the public opinion research department of the Ukrainian Academy of Sciences Institute of Sociology, under the rubric "Topic of the Day", information prepared by I. Kucherov from Rukh's Scientific Research Center : "The Opinion Exists that Few People Are Satisfied With the Supreme Soviet"]

[Text] The results of a poll conducted in early August of this year by the public opinion research department of the Ukrainian Academy of Sciences Institute of Sociology confirms this.

To the question "Are you satisfied with the activity of the Supreme Soviet [SS] of Ukraine?" the respondents answered in the following way:

**Are you satisfied?**

Not satisfied	52 percent
Satisfied	11 percent
Half Satisfied or Half Dissatisfied	18 percent
Haven't Decided	20 percent

**Education Level of Those Above**

Education	Satisfied with the SS	Not Satisfied with the SS
Higher Education	8.3 percent	49.6 percent
Secondary Specialized Education	10.2 percent	52.2 percent
Secondary Education	11.2 percent	51.6 percent
Finished 9th Grade or Lower	10.6 percent	53.3 percent
By Nationality:		
Nationality	Satisfied with the SS	Dissatisfied with the SS
Ukrainians	10.4 percent	51.3 percent
Russians	7.0 percent	54.0 percent

(Note: The data is insufficient for an analysis for other nationalities.)

By Occupation:	Satisfied with the SS	Dissatisfied with the SS
Type of Job	Satisfied with the SS	Dissatisfied with the SS
Managers of Enterprises	11.5 percent	51.9 percent
Specialists in the Areas of Science, Education, and Health Care	7.7 percent	51.9 percent
Military Personnel	12.2 percent	30.0 percent
Skilled Workers	10.9 percent	54.6 percent
Students	4.4 percent	51.1 percent
Pensioners and Housewives	13.1 percent	48.4 percent
Unemployed	4.0 percent	54.0 percent
By Size of Populated Point:		
Type of Populated Point	Satisfied with the SS	Dissatisfied with the SS
Oblast Centers	8.9 percent	54.3 percent
Villages	12.2 percent	56.0 percent

Polling of Ukraine's population was done by the Scientific-Practical Sociological Center of the Ukrainian Sociological Association jointly with the Research Institute of Radio Liberty and the International Research Institute of Social Measurements (Nyon, Switzerland) in 164 populated points of all 24 oblasts of Ukraine and the Republic of the Crimea, as well as in Kiev in early July 1992.

**Ukrainian TV Shortcomings Analyzed**

93UN0063A Kiev VECHERNIY KIYEV in Russian  
28 Sep 92 pp 1, 4

[Article by Center of Television Creativity as ordered by the Board on Humanitarian Issues of the State Duma of Ukraine: "Why Is Ukrainian Television Being Degraded"]

[Text] The State Television and Radio Broadcasting Corporation system with its oblast branches is the only influential television force in Ukraine. It covers 90 percent of the potential television audience, puts out a powerful signal over the entire territory of Ukraine, and owns high-grade television equipment

Cases wherein studies of former Soviet reality were conducted with the aid of television screens have been known to occur in world political science practice. Staying in Moscow and not having the opportunity of conducting a broad study of social processes, western political scientists carried out research mainly under the impression left by watching Central Television shows in their hotel room.

At the end of the period of "stagnation," according to an analysis made by experts, it was specifically the "antipropaganda" stance of the "Vremya" program which promoted rising discontent in society.

Republic television systems were small and pale copies of central television. There is an opinion that prior to 1985 the creative level of programs on Ukrainian television was equal to that of All-Union television. In reality, however, actual upswings took place only in Central Television, and television in Georgia and in the Baltic republics of that day.

The poor quality of television in Ukraine was promoted by the special secretiveness of communist party structures to which television belonged. In addition to that a sovereign communist line was not manifested in Ukraine as it existed in other republics promoting progress in national television. Georgian or Estonian communists had much smaller chances of building a career in Moscow than the Ukrainian communists for whom Kiev was merely a stepping stone to imperial heights. Ukrainian television performed a decorative role in the imperial machine, its ideological necessity was minute. That made it possible to transform television into a place for receiving benefits by those performing ideological functions which, as a rule, consisted of satisfying the caprices of the republic power summit.

Ukrainian television did not need creative upswings and high-quality programming—that was a prerogative of Moscow. The selection of personnel for Ukrainian Television was unique, clannishness and nepotism flourished. Even today middle management of the Ukrainian Television and Radio Broadcasting Company consists for the most part of childhood friends and classmates of its president (V. Pasak, association director, V. Boyarenko, association director, V. Fisyun, managing editor). At one time society differentiated these people as

highly professional journalists, but the level of their organizational talents is visible on the screen. Ukrainian Television still has not created a single program at the level of Central Television of the early eighties.

At that time, even before the start of "perestroika," Moscow television began reflecting changes in society. The appearance of new series characterized new stages. The program "Happy Children" appeared in 1982. At the same time Vladimir Pozner started his series of international television bridges. In 1985 Leningrad Television produced an almost totally censorship-free series called "Television Courier"—it was an absolutely new type of informational program. In 1986 Eduard Sagalayev began his series "Floor 12" in which for the very first time controversial topics were treated with absolute frankness without a script. The 1987 Leningrad program about the married couple Maksimov called "Public Opinion" became a revelation—it was the first ever live uncensored political show in the USSR. Vladimir Molchanov began his series in March of 1987 and three months later the morning program brigade launched "90 Minutes." At that time this program matched world criteria for a morning music and information show. "Viewpoint" premiered in October 1987. A program called "Fifth Wheel" went on the air in Leningrad in 1988. TSN and "Authors' Television" programs began their run on Central Television.

During that time not a single innovation on Ukrainian Television could even be compared with regard to the level of professionalism with Moscow programming. Thus the imperial idea was firmly guaranteed by television whose quality affirmed the superiority and strength of the empire. That was Gorbachev's first victory. The paradox, however, consisted of the fact that the television of personalities, creatively worked out in Moscow, became democratic television, that is it offered the viewer a choice of various viewpoints. It was specifically TSN and "Viewpoint" which could air the position of the proponents of Ukrainian independence, which at that time was prohibited on Ukrainian Television by people who are nationally known today.

The situation changed with the arrival of L. Kravchenko in Ostankino toward the end of 1990. It was exactly at that time that Television of Russia appeared. Boris Yeltsin became the first politician in the former union who began using and created new television for the success of democracy and himself.

Not one of the Ukrainian politicians has yet shown any professional interest in the reformation of Ukrainian Television. There exists the stereotyped impression that good television is television which allows politicians to speak. The politicians do not stop to think that the effectiveness of 30 seconds on a popular channel may be greater than an hour on one that is unpopular. In the opinion of many Ukrainian political journalists Ukrainian Television today is almost the main factor harming the cause of state independence and creating an unattractive image of Ukrainian politicians.

Agitating for independence before the December referendum, with the aid of contributions made by Ukrainian diaspora to individual journalists on a private basis, television produced advertising spots and individual programs which were later judged to be most effective.

John Gevko, a member of the Consultative Council, financed a program called "Gart" on 30 November as well as the production of advertising loops that were aired on the "Dnipro," UTN [Ukrainian Television News] "Studiya 1 Grudnya" and other shows.

Ukrainian television today is managed by people who were appointed to these posts many years ago for the purpose of proving Ukrainian provincialism. They are capable of switching their sympathies (for example, issue instructions in support of the ideas of the State Committee on the State of Emergency, independence, the government, the president, CPSU, the Ukrainian Republican Party—depending on the situation), but because of their lack of education and incompetence are incapable of creating quality television. Relations riddled with corruption and nepotism do not allow them to replace the personnel. The conversion of the State Committee for Radio and Television into a company, for example, involved essentially some structural changes. A superstructure in the form of associations was formed over the main editorial office. The work of the journalists was formerly supervised by managing editors, their deputies, and chief producers of editorial offices whereas today there are directors of associations, chief producers of associations and the staffs that support them.

Management is carried out on the basis of the command, mandatory fulfillment principle. Those who disagree are removed from their jobs by not having their contracts extended.

World experience has proven that a working group of creative individuals must be headed by an individual who is creative as well. None of the executives of Ukrainian television (with the exception of the decorative executive L. Lysenko) were ever press or television professionals but merely communist commissars, party functionaries. These people have never engaged in a truly creative process and therefore, even if they wanted to, are unable and do not know how to change the structure and quality of broadcasting. At present the best specialists are being discharged from Ukrainian Television. From the viewpoint of Ukrainian Television management the only good journalist is one who is always ready to say "Yes, sir."

Ukrainian Television management is not interested in leaving its posts since it has access to administrative benefits, limitless power, and high salaries. But one of the biggest reasons is the possibility of engaging in uncontrolled financial activity.

One of the last financial steps taken by Ukrainian Television was the granting of an exclusive right to sell advertising time to the "Ay-Pi-Kiyev" joint venture. At "Ostankino" and Television of Russia advertising time is handled by commercial directorates and editorial

offices which are legal entities. Advertising becomes a serious source for the financing of television and a stimulus for the creation of better programming. Thanks to the order issued by the management of the State Television and Radio Broadcasting Company "Aypikiyev," producing nothing, receives vast profits. At the same time the management is not making advantageous contacts with respectable American and European partners. Not a single step was made to take advantage of an offer made by NBC which in effect granted the right to Ukraine to relay the Olympic Games. "Ostankino" and the Television of Russia accepted those offers.

Funds allocated from the budget for acquisition of new television equipment were utilized inefficiently. Poor quality, nonprofessional television equipment of the S-VHS standard was purchased (home video systems) from shady intermediaries at prices that were much higher than on the market. Programming produced with this equipment cannot be sold and aired by any of the foreign television companies due to its technical parameters.

Each year the "Ukrtelefilm" studio unjustifiably spends considerable sums on the production of short documentary films without any informational or commercial merit.

The republic television center became a cofounder and granted state air time to the "Tet-a-Tet" television company which broadcasts unlicensed, that is stolen, feature films. According to experts this may lead to a big international scandal.

Such wide-open actions by the management promote corruption among rank-and-file workers who cannot legally profit from their work. Many firms and individuals purchase advertising time for a moderate price in the form of topical material from many programs. At Ukrainian Television it is merely necessary to pay three thousand coupons to a journalist, producer, or a managing editor. Under such circumstances there is no need to even talk about creative search. Its absence is promoted by the lack of legislative and political regulation of the functions performed by state television.

Until recently any deputy or minister could telephone the president of the Ukrainian Television and Radio Company and request air time for himself. As a rule such a request was satisfied. The command was relayed to the vice president, and then to the managing editor who was compelled to grab any free journalist by the hand and "drag" him into the studio. Numerous unplanned daily interviews in unprepared studios at the "round tables," covering "critical" issues, became unprofessional.

With this mechanism involving the airing (several days after the fact) of "reports" on events in the life of the state leaders the attention of the viewers is lost while the state leadership creates an image for itself which only discredits the state.

The situation is developing in such a way today that private television companies cannot be direct competitors of the state company, even though they take away a lion's share of the Ukrainian Television audience in the areas they cover. But this does not concern either the leadership of Ukrainian Television nor the state leaders. The financing of Ukrainian Television is not decreasing, while poor results produced by government propaganda do not appear to be bothering anyone.

The newly formed Channel UT-2 actually represents a puppet facility under the management of the same company president. The subordination is not only legal but economic and financial as well, which guarantees full control.

At Ukrainian Television it is impossible to build a journalistic career. Obstacles are placed by the leadership of the Ukrainian Television before every good journalist with the potential of a "star." Ukrainian Television cannot be represented by outstanding individuals, at Ukrainian Television there is only one individual—its president, relying on the loyal middle-level management structure. It is specifically this middle-level managerial structure of Ukrainian Television (association chairmen and managing editors) that determines the programming on Ukrainian Television. Among them there is not a single journalist-specialist, not a single person who at one time produced a television program with a popular rating.

Several new entertaining programs for young people appeared recently on Ukrainian Television ("Dzhoker," "Telefan" and others). Unfortunately it seems that the primary pursuit of the producers appears to be acquisition of profit from "sponsors." That would not be bad if the programs were even pale copies of Moscow programming and would not force tastelessness and primitivism, including musical varieties of them, on our society. The cause lies not just in a lack of control, but rather in the authors' lack of intellect. The latter either exists or it does not. The unintellectual nature of Ukrainian Television is a general feature of our screen.

**From the editorial office. The Center of Television Creativity** is a noncommercial organization whose goal is the development of democratic journalism in Ukraine and the involvement of leading specialists from countries of Europe and America in work with Ukrainian mass media, the training of young journalists, and dissemination of information on Ukraine throughout the world. One of the functions of the TsTT [Center of Television Creativity] is preparation of expert studies and proposals concerning legislation as it applies to the mass media. Today we are acquainting our VECHERNIY KIYEV readers with a condensed version of a transcription made by the TsTT which is only part of the extensive study by experts that is being prepared by the Center of Television Creativity. It would be interesting to know whether the conclusions of the experts coincide with the opinion of television viewers.

**Firearms Sale Proposal Called 'Premature'**

93UN0057C Kiev NEZAVISIMOST in Russian  
26 Sep 92 p 5

[Interview with Anatoliy Viktorovich Primachenko, chief of the permits system department of the Ukrainian Ministry of Internal Affairs Main Administration for Preservation of Public Order, conducted by I. Storchak; date and place not given]

[Text] There is not one person today who has not thought at least once about how to guarantee safety for himself and his family, how to protect his property from thieves, and how to protect himself alone on a deserted street in the evening. For you cannot always count on the militsia. After an experience that chills the soul one often hears: "If I'd had a gun, they wouldn't have dared." The owners of dachas and cars consider a pistol a necessary part of their equipment, like a "reserve gas can" in the trunk of the car.

The chief of the permits system department of the Ukrainian Ministry of Internal Affairs Main Administration for Preservation of Public Order, Militsia Colonel Anatoliy Viktorovich Primachenko, talks about the prospects for the sale of firearms.

[Storchak] Anatoliy Viktorovich, does a document which regulates the sale of firearms exist now?

[Primachenko] The Ukrainian Ministry of Internal Affairs is developing such a document. This order envisions appropriate norms by which firearms are sold to private persons. Soon the Cabinet of Ministers of Ukraine will examine it.

[Storchak] Who will be able to acquire firearms then?

[Primachenko] In accordance with the Supreme Soviet of Ukraine decree adopted on 17 June of this year "On the Right To Own Particular Types of Property," a citizen has the right to a smooth-bore hunting gun after he becomes 21 and a rifle after the age of 25. But that does not mean that upon reaching the required age every person is handed a pistol. A person who is acquiring a gun, of course, must not have been convicted of crime, cannot be under investigation, cannot suffer from mental illness, and cannot use alcohol or drugs. He signs a statement where it indicates the reason why he wants to arm himself. The place for keeping the weapon must be defined and access to outside persons must be precluded.

Those are the basic general conditions but, of course, we will consider each specific case carefully.

[Storchak] Who will be selling firearms?

[Primachenko] According to the Law of Ukraine on Entrepreneurship, only state institutions should do this, and gun stores must be located in premises specially equipped with alarm systems.

[Storchak] What do you think, why is the issue of the sale of firearms for self-defense such an important one now?

[Primachenko] In my opinion inflation, the rapid growth in prices, the boundless impudence of criminals, and the failure to punish them are to blame. People want to protect themselves personally.

[Storchak] If stores with firearms appear, will their illegal sale cease?

[Primachenko] I don't think so. For a category of people to whom the sale of firearms is prohibited will certainly remain, and the "black market" will operate with them.

[Storchak] Anatoliy Viktorovich, what is your personal opinion: should the sale of rifles be allowed or not?

[Primachenko] That is not a good idea now. I will explain why. There is no need to say what is happening in the former Union, in Moldova, in Georgia, and in other regions. And in Ukraine itself the atmosphere for the sale of firearms has not yet developed at this stage. Weapons will always migrate where there are transparent borders.

The state should ensure protection of citizens and their housing and property. Shifting these obligations onto citizens and granting them the right to have firearms will lead to mob law and the settling of personal accounts and will complicate an already complex criminogenic situation in Ukraine.

We are between a rock and a hard place. We are not being protected, but it is dangerous to entrust firearms to us. Well then, let us wait for the decisions of the Cabinet of Ministers.

**ECONOMIC AFFAIRS**

**Lag in Privatization Explained**

93UN0060A Kiev VECHERNIY KIYEV in Russian  
25 Sep 92 p 2

[Interview with M. Pitsik, deputy chairman of the communal property fund by D. Konik; place and date not given: "Privatization in Which No One is Interested"]

[Text] Finally our society has shifted from discussions concerning the need to privatize state property to its realization. The Supreme Council of Ukraine adopted appropriate decisions and organs regulating this process were created. The communal property fund became the manager of our city. Even though it was created back in April we, the residents of Kiev, have so far not felt that the process of privatization has started in our city. As indicated by the conversation of journalist Dmitriy Konik with Miroslav Pitsik, deputy chairman of the communal property fund, this is conditioned, first of all, by imperfections in the privatization program itself and the inadequately worked out mechanism for its implementation.

[Konik] Miroslav Vasilyevich, first, a few words about the communal property fund.

[Pitsik] The communal property fund was created in April of this year. The fund handles the entire complex

of ownership issues: acceptance of property for communal ownership, its leasing and sale.

[Konik] Consequently the community property fund appears as the manager of state property. What percent of state property in the city belongs specifically to Kiev?

[Pitsik] We calculated recently, it is true, in the old prices in effect on 1 January 1992, that our Kiev property is worth nine billion rubles, that is the municipal property. But there are enterprises which we cannot control, these enterprises are state property. Therefore on the territory of Kiev we have two funds: the state property fund and the communal property fund.

[Konik] How convenient is it to conduct privatization with the aid of these different establishments?

[Pitsik] At first we thought that we would become a regional share of the national fund. But the state property fund decided otherwise: a number of facilities were turned over to communal ownership in accordance with a decision of the Cabinet of Ministers and is now city property - you manage it and we will handle national property. Even though all of that is state property, from the viewpoint of logic this is unclear. It is first of all necessary to determine for what purposes this fund was created. The point is that all countries that are at present on the way to a market economy, have gone through such structures as state and communal property funds. What does it do? The idea is to take away the power from agencies. Since power specifically means property. Because of this it is a very healthy idea—the fund assumes wardship over all agency property. Formerly all of our property was scattered among ministries. Why must this be done? Because when privatization begins, to privatize a ministry is absurd. A ministry is a large structure which must be broken up into parts. Not a single ministry wants to give up even a piece of its property, as we are now finding out ourselves, inasmuch as it loses power, that is power is lost by people who directly manage the ministry.

Ivan Salij understood that it is necessary to arrange matters in the state administration so that the fund would contain in it all the property and the property would be transferred to labor collectives only with its permission, that is real power must be taken away from agencies at the level of the city: the personnel administration assumes personnel matters—the communal property fund takes over property which constitute the principal levers of power.

At the national level, however, the situation is completely different. The state property fund is subordinated to the Supreme Council and it was granted the right to submit recommendations to the Cabinet of Ministers. Here is a concrete example—we requested the additional transfer of retail trade enterprises belonging to the "Obuv," "Mebel," "Odezhda," "Sporttovary," firms as our communal property. They are leasing space from us, make their money with our population, but do not pay their taxes to us. We worked for two months with the state property fund and finally they prepared the draft of

a decree of the Cabinet of Ministers. Then that decree went to the Cabinet of Ministers and there it is necessary to coordinate it with each ministry. Naturally in the Ministry of Trade they are strongly opposed to the transfer of stores as communal property and the case was halted. As there is no coordination, it must be redone, since only coordinated decisions are examined at sessions of the Cabinet of Ministers. There is no one person or structure that has to make the concrete decision.

[Konik] Inasmuch as I understood you our country lacks a system guaranteeing the conduct of an antimonopoly, antiagency policy?

[Pitsik] Yes. At the level of the Cabinet of Ministers this is not clearly worked out.

[Konik] Correspondingly the city has such problems with the Cabinet of Ministers as well as with the state property fund?

[Pitsik] Yes, we have some contradictions because there is no one to make a decision. We are readying some proposals and arguing that it would be better if one or the other facility would become our property. But there is no one to transfer such a facility to us.

[Konik] Are there any problems of a legislative nature in your work?

[Pitsik] Naturally. Here are two points which are not mutually coordinated: in accordance with the legislation on the soviets, property owned by a given territorial unit belongs to the soviets but the right to manage it was relegated to state administrations. If one views this from the legal viewpoint the soviet is the owner. If the soviet does not delegate these powers to state administrations then the administration has no right to take a single step in managing the property. We attempted to coordinate this question with our Kiev soviet. It remained unresolved, however. Three variants were proposed at the last session: the first one—the soviet delegates the state administration, as the communal property fund, granting it the right to manage its property, the second one—double jurisdiction, that is the soviet adopts what was proposed by the state administration and appoints a manager of the communal property fund, and the third variant—the soviet creates its own organ for managing communal property. Every deputy is defending his position and there are not enough votes to adopt any one decision.

[Konik] How is the process of privatization going to take place?

[Pitsik] In my opinion privatization must attain the main goal: raise the productivity of labor by fostering interest in the labor collective or a specific group of people. In order to raise labor productivity it is primarily necessary to offer the right to privatize to those people who already have experience in organizational work and appropriate seed capital in order to organize this work. In actual fact, in accordance with the privatization program, adopted by the Supreme Council of Ukraine, privatization will proceed through the sale of facilities to

labor collectives. This, of course, will ease social tension—in general our privatization is proceeding along a political rather than an economic path. The labor collective, however, will immediately face a number of problems: working capital, new equipment. On the whole, in my opinion, it is better to privatize state enterprises in the following manner: 40 percent to be given to the labor collective and 30 or 20 percent—to a western investor in exchange for new technologies, leaving 30 percent as national property. If we followed such a path, without giving everything to the labor collective, that labor collective would stand to gain more.

[Konik] Are you forecasting any crises in the economy during the realization of the program adopted by the Cabinet of Ministers?

[Pitsik] Yes I believe there will be a decline in production and a drop in trade, after which the labor collectives will become convinced that they are unable to survive without sponsors and only then true privatization will begin, but money from it will flow not into the state budget, but into other hands.

[Konik] Can the state administration or the communal property fund retain the levers controlling these processes in their hands?

[Pitsik] The law stipulates that, in any case, after an appropriate announcement, we must grant the labor collective the right to privatize its enterprise. But we will be approaching this question with caution, still leaving certain facilities in the state trading system.

[Konik] Are organs of the state authorities interested in conducting privatization?

[Pitsik] By the way, it is very strange that they did not try to interest us in this work. Revenues which we will receive from privatization will not supplement the city budget but will be used to repay the national debt and pay for the privatization process itself.

[Konik] That is, the city will get nothing from the sale of its own property?

[Pitsik] Absolutely. Not one cent. We are hoping for just one thing: that the law on private property will have some provisions for deductions into the budget in order to interest the city administration in the conduct of privatization, otherwise we are not interested in it.

#### New Currency May Be Delayed Another Year

93UN0060B Kiev VECHERNIY KIYEV in Russian  
28 Sep 92 p 2

[Interview with M. Shvayka, deputy chairman of the Commission on Questions of Economic Reform and Management of the National Economy of the Supreme Council of Ukraine transcribed by D. Bondar; place and date not given: "M. A. Shvayka: 'It Will Be a Year Before We See the Ukrainian Hryvnya...'" ]

[Text] A round-table discussion took place recently in Kiev organized by the National Bank of Ukraine, the Association of Commercial Banks, Ukrinbank, and the

"Rapid" Firm, in the course of which representatives of high government agencies, bankers, entrepreneurs, and experts discussed pressing problems of interbank accounting and the payments crisis in the republic. Its work included the participation of M. A. Shvayka, deputy chairman of the Commission on Questions of Economic Reform and Management of the National Economy of the Supreme Council of Ukraine, who later answered questions asked by reporters. We believe that this brief interview will be of interest to our readers since, after all, we are talking about our national currency which we have been anticipating for so long.

The question is not as simple as it would appear to be, Mikhail Andreyevich remarked. The cash money supply in the Ukraine at the present time is 400 billion rubles less than credit deposits. Where did the money go? It went to Russia. We paid them 360 billion for goods, while they paid us only 51 billion rubles. Thus the balance of payment deficit amounts to 310 billion. We are actually not realizing what we are doing or how we should act in the future. First of all complaints should be directed at the National Bank and the government. Recently our delegation was in Moscow and what questions was it possible to resolve? Absolutely none. We talked, drank some wine, and departed.

Meanwhile the situation is critical. Let us say, even just with regard to these 310 billion. Ukraine as an independent state must have the right to emission revenue, while at present the situation is such that this money of ours may even be recorded as our debt.

[Question] Why does it happen like that? What are the reasons?

[Shvayka] I believe, first of all, that a mistake was made back in January, when at our session we decided to actually duplicate everything that Russia does, even moving a little bit ahead of it. Russia is freeing prices—we too, prices are rising there—ours are even outstripping them. There is the opinion that this step was even thought out. Some really did not want to introduce coupons in Ukraine (they are the embryo of our national currency), and tried to discredit the very idea of a national currency. Which is what happened. In view of the fact that prices in Ukraine are higher by a factor of 1.4 who is going to chase after this coupon? If the coupon became the only instrument for making payments and purchases (both in cash and noncash transactions) then, those who would like to acquire our goods, would be interested in having our coupon rubles. Now they have been devalued and no one wants them.

[Question] This means that our financial and economic relations with Russia and other CIS countries must continue but have to acquire a new quality...

[Shvayka] Yes, of course. We could not get by without Russia, it remains our No. 1 partner but relations with that partner must be fresh and honest. I will cite a figure. Russia must pay Ukraine eight billion dollars for the use of oil and gas pipelines (which, by the way, is an element of the balance of payments). How much money was

received in our republic? Not a single dollar. We have been enveloped in pipelines, the land has been dug up, and the damage to it has been great, but we are getting nothing out of it. You will remember the recent strike by the air controllers. They were quite properly demanding that Ukraine be paid five billion dollars for the use of air routes. No one in the government, however, is dealing with that matter.

By the way, Ukraine adopted a good decision (just as Belarus and Russia): to supply goods and perform services for CIS countries only if there is full guarantee of payment. But someone in our case reversed that decision.

[Question] What is the position presently occupied by the government?

[Shvayka] A plan of action and measures prepared by the government for extending the economic reform in Ukraine up to September 1993 appeared recently. If one is to believe this document, then even when national currency is introduced immediately and all transactions are shifted to it, including noncash transactions, our children can then expect some hard times since we will right away lose 200 billion from revaluation alone. The indicated document, however, has only a single position: form a committee, grant it powers, and it will appear before the Supreme Council with serious proposals for realization of the monetary reform.

[Question] Wasn't there something like that before?

[Shvayka] Yes, one group was created which worked out all these problems in detail, it included some competent people. But it interfered with someone and a decision was made to transfer it to the government, this all came to an end with its disintegration.

[Question] In the meanwhile we are expecting the hryvnya...

[Shvayka] You know, it is painful to see how the people's money is being wasted. Our bank notes were ordered in Canada and in China, eight presses were ordered in Germany and seven in Italy, and used ones at that. Just a year-and-a-half ago I was involved in negotiations with a Swiss firm which assumed the responsibility of printing one-and-a-half billion bank notes by 1 January 1992, and building paper money plants in Ukraine, along with paper and ink factories. But that opportunity was missed. Now we have paid Canada and Britain, we do not have the factories plus there are expenses for the coupons—as a result it is costing four times more. Also please note that all of this is at the expense of a loan.

[Question] Consequently, the introduction of the national currency is being postponed yet another time?

[Shvayka] The monetary reform has not been prepared either technically or organizationally. Judging by how the government is preparing for it, I think that we will not be seeing the Ukrainian hryvnya for another year.

For the present Fokin got a delay but the Supreme Council is planning to raise these questions in a very

pointed manner and the government will be confronted with a demand: either resolve them or resign.

It is a pity. This introduces considerable tension in relations between national banks. Between countries as well.

#### **Entrepreneur Union Head Voices Concerns**

*93UN0072A Moscow ROSSIYSKAYA GAZETA  
in Russian 9 Oct 92 p 7*

[Interview with V. Tolstopyatko, cochairman, Donbass Entrepreneurs Union, by Boris Sverdlov, correspondent; place and date not given: "An Entrepreneur Sounds the Alarm"]

[Text] Ukraine's entrepreneurs are experiencing gloomy times. Unable to withstand the onslaught by the state democrats, businesspeople are closing down their small enterprises and cooperatives. It would be understandable if their "babies" had been shoved aside by healthy competition. But competition is not at issue here: the latest equipment and the smartest machines—often having no analogies—are rusting in the warehouses. What is the reason for this?

This is the subject of the interview granted to our correspondent by V. Tolstopyatko, cochairman of the Donbass Entrepreneurs Union.

[Sverdlov] Vladimir Nikolayevich, some stunning news has just arrived from Kiev. Virtually the richest cooperative in Ukraine, the Vtorpolimermash—which has the most highly productive, imported machinery for manufacturing excellent linoleum—has turned out to be on the brink of bankruptcy....

[Tolstopyatko] I could cite dozens of similar examples. What is harder to find nowadays is a successful, prosperous entrepreneur. We recently put the following question to 200 directors of small enterprises: What has been the principal problem confronting you since you started up your business activity? The following reply was received from 165 of them: "Suffocating taxation." In Russia entrepreneurs are also dissatisfied with the tax policy, but—in comparison with their Ukrainian colleagues—they are rolling along like cheese in butter. Is this not why many entrepreneurs are striving to move to Russia? They view it as a kind of huge island of salvation. Here in our republic taxes not only "eat up" all the profits, but additional payments are demanded. Here's a paradox for you: The more products an enterprise turns out, the deeper it goes into bondage. Their pockets are attacked by the crazy, 28-percent value added tax, then by the 18-percent income tax, and a 52-percent tax on wages. So how can you figure all this out? As a result, a person has to lay out 1,100 rubles on 1,000 rubles of income.

[Sverdlov] Is it really possible that the government and the Supreme Soviet do not see all this?

[Tolstopyatko] This very same parliament contains quite a few enterprise directors and other businesspeople among the deputies. They have been sounding the alarm

day after day, but all to no avail. Let me explain this in simple terms. In this republic national and political ambitions rank higher than common economic sense and calculations. Ukraine has set as its goal the achievement of state independence as quickly as possible. To be in such haste makes people laugh. But in this case they did not laugh; they had to shed some tears. In order to find expensive state attributes, money is needed. But where to acquire it if the business ties have been disrupted, the economy is flat on its back, and reciprocal accounting between the CIS countries has been forgotten? It is also for this reason that the entrepreneurs are "beaten upon."

[Sverdlov] A few days ago I happened to be in Khartsyzk. It turns out that this city's sole trade-and-purchasing cooperative offers more suitable items to the customers than all the ORSy [Workers Supply Divisions] put together. Moreover, the cooperatives have 25 percent fewer staff members....

[Tolstopayatko] By the way, this cooperative is experiencing unheard-of persecutions from the gospolkom chairman. Even the oblast-level newspapers, which came to the entrepreneur's defense, could not cool this city's "mayor" down. What's it all about? It's about the defenselessness of entrepreneurs. It did not suit them to look to the higher authorities—they are simply trying to get out with their hides intact.

[Sverdlov] Many entrepreneurs are already very dissatisfied with the customs duties that must be paid at the border between Russia and Ukraine.

[Tolstopayatko] Not just many, but all of them without exception. Add here the directors of state-run enterprises. There are hundreds of joint ventures in Ukraine today. The Russians need our products, just as we also need raw materials and other items from the Russians. Try to overcome the barriers at the border even by fully observing the republic's laws and the transport regulations. You won't succeed: Either they give you the runaround, or they confiscate your goods. From this alone dozens of enterprises in Ukraine have fallen ill and withered away. Not to mention the extortions, the imperfections in banking operations, or the lack of a proper economic system of education. The game is essentially going all in one direction. And unless the present-day press lets up on the entrepreneurs, we will soon become witness to the funerals of the last small enterprises in Ukraine. And—together with them—the market system of relations.

#### **Maritime Transport Development, Privatization Viewed**

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No 1, Jan 92 pp 20-28

[Article by V. Gurnak, candidate of technical sciences, and V. Yefremov: "An Inquiry into the Development and Privatization of Maritime Transport Enterprises in Ukraine"]

[Text] The declaration of Ukraine's independent statehood affected all spheres of economic, social, and sociopolitical life in Ukraine and gave rise to the need to revise several organizational structures, including the transportation

system. The current centrifugal tendencies in the national economic complex are based on Ukraine's natural desire to consolidate its sovereignty and will gradually reduce or weaken vertical ties while expanding and strengthening horizontal ones. Centralized plans will play a much less important role in transportation, and relations with clients will be transferred to a purely commercial basis. Considerable changes are already taking place in former areas of republic jurisdiction, and after the Ukrainian Supreme Soviet issued its ukase on the transfer of enterprises of union jurisdiction to Ukrainian ownership there was a need to reorganize managerial structures in traditionally statewide forms of transportation—maritime, rail, and air. Several questions arose during the investigation of different aspects of their sovereignization, and these must be taken into account when programs are drawn up for the actual transfer of subdivisions of maritime transport, located within our territory, to Ukrainian ownership.

In terms of natural geographic conditions, Ukraine is a state with all of the necessary requirements for maritime trade with foreign countries. The non-freezing waters of the sea coast are conducive to economic activity for the development of coastal bases of maritime transport. For more than 250 years (since the shipyards were built in Kherson, Sevastopol, and Nikolayev), the Ukrainian coast has served the country not as a "window to Europe," but as wide-open "gates to the sea."

By order of the Ministry of the Maritime Fleet (MMF), the Black Sea State Maritime Shipping Line (in Odessa) was divided into four different lines in the Black Sea and Azov basin (in 1967): the Black Sea Shipping Line (Odessa), the Azov Shipping Line (Mariupol), the Novorossiysk Shipping Line (Novorossiysk), and the Georgian Shipping Line (Batumi). The Soviet Danube Shipping Line has had the same status since it was established in October 1944. The largest of these is the Black Sea Shipping Line (ChMP), which makes intercontinental trips. Its fleet operates in the ports of both Americas, Southeast Asia, the Far East, the European continent, Australia, and other parts of the world ocean. The Ilyichevsk-Varna railroad ferry is part of the shipping line, as well as the Ilyichevsk-Vietnam group of transport barges and other regular lines. The ChMP owns the main passenger fleet in the basin, serving coastal and in-shore (domestic) needs for passenger transport, pleasure trips, and cruises, as well as international tourism.

The transport fleet of the shipping line is made up of 247 vessels with a total deadweight of 4.3 million tonnes, including 7 tankers and 240 dry-cargo ships of the following categories—bulk-freight vessels (40.8 percent), all-purpose (36.4 percent), multi-purpose (7 percent), and metal freighters (4.5 percent). The ChMP network includes 11 maritime trade ports (Odessa, Belgorod-Dnistrovskiy, Ilyichevsk, the "Oktyabrskiy" port in Nikolayev, Kherson, Skadovsk, Yevpatoriya, Sevastopol, Yalta, Feodosiya, and "Yuzhnny") and three ship

repair plants (the Ilyichevsk Plant, the Odessa Plant imeni 50-Letiye Sovetskoy Ukrayny, and Odessa Ship Repair Plant No 2).

The Azov Shipping Line (AMP) has ships with a capacity of up to 25,000 tonnes and specializes in the transport of coal, ore, grain, timber, and general freight to ports in the Mediterranean basin, East and West Africa, and the European continent, and occasionally to states in the Western Hemisphere and the northern sea route.

The transport fleet of the shipping line consists of 102 vessels with a total deadweight of 802,100 tonnes, including three tankers and 98 dry-cargo ships of the following categories: all-purpose (46.6 percent), bulk-freight (36.1 percent), metal freighters (5.4 percent), container ships (3.5 percent), lumber ships (5.1 percent), and agglomerate ships (3.4 percent). The AMP network includes four trade ports (Taganrog, Mariupol, Berdyansk, and Kerch), three ship repair plants (in Taganrog, Azov, and Kerch) and the Berdyansk Experimental Port Equipment Plant. This shipping line is distinguished by subdivisions in the Russian Federation (the Taganrog port and the Taganrog Ship Repair Plant) as well as in our republic, which will complicate the transfer of enterprises to Ukrainian ownership and will require an extraordinary approach to the computation of compensation.

The Soviet Danube Shipping Line (SDP) is a production association with a unique structure in the MMF network. It combines the features of maritime and river ship owners and sails between the ports of seven countries on the Danube and carries freight from the Danube to Mediterranean ports. The SDP accounts for almost 35 percent of all transport by national shipping lines in the Danube basin. Its passenger fleet serves international routes to Passau and Vienna and also serves local travelers. The Interliker enterprise, an international shipping enterprise, is based in the port of Ust-Dunaysk.

The SDP maritime transport fleet consists of 55 dry-cargo ships with a total deadweight of 254,700 tonnes, including all-purpose vessels (49.4 percent), produce ships (8.2 percent), lumber ships (5.2 percent), and transport barges (36.5 percent), and two passenger ships. The river fleet consists of 79 tugboats and towboats, 80 self-propelled cargo vessels, 806 non-self-propelled vessels, and 21 passenger boats (for 2,959 passengers). The

SDP network includes four sea ports (Rhine, Izmail, Ust-Dunaysk, and the Vilkovo port in Kiliya) and two ship repair plants (in Izmail and Kiliya).

The favorable climatic and hydrological conditions in Ukrainian sea ports secure year-round shipping, and this is why the republic's shipping lines account for around one-third of all of the domestic shipping of the MMF and almost one-fourth of the freight carried to foreign ports. An analysis of the work of the shipping lines in the 12th Five-Year Plan reveals differences in rates and in absolute indicators. Whereas transport volumes increased during the first two years, by 1989 crisis-related developments (the disruption of ties in the unified national economic complex of the USSR, strikes, production cuts and non-deliveries of products for export in the main branches shipping freight, interruptions in the work of railway transport, and the resulting irregularity of deliveries to ports) had naturally reduced the volume of materials-handling operations in ports and the amount of freight to be transported by the merchant fleet.

Nevertheless, in 1990 ports in Ukraine handled over one-third of the unionwide volume of commodities to be transported by sea, and imports exceeded half of all the ministry's operations (see Table 1).

Raw materials and bulk cargo constitute the highest percentage of freight. The predominant exports are oil and petroleum products (45.5 percent), coal (16 percent), ore (11.1 percent), metal (11 percent), chemicals (8.6 percent), etc. The most prevalent imports are grain (37.9 percent), ores and concentrates (13.5 percent), metal (7.6 percent), and raw sugar (6.4 percent). Most of the domestic cargo consists of construction materials, ore, coal, baked goods, and petroleum products.

Most of the freight (including all domestic cargo, 45 percent of all exports, and 50 percent of all imports) originates and is consumed within the territory of Ukraine and is directly related to its natural economy. Nevertheless, Ukraine does export its petroleum products (22 percent), coal (90 percent), ore (95 percent), chemicals (22 percent), metal (48 percent), machines and equipment (20 percent), and packaged goods (50 percent). The rest of the export freight transported through Ukrainian ports comes from the RSFSR (around 48 percent) and Belarus (5 percent), and less than 2 percent comes from the Baltic countries, Moldova, the Transcaucasus, and Kazakhstan.

Table 1. Freight Handling Volume in Ukraine's Sea Ports

Indicators	Total		Exports		Imports		Domestic	
	1989	1990	1989	1990	1989	1990	1989	1990
Total freight handled in Soviet ports (millions of tonnes)	443.94	403.40	195.26	182.70	85.18	67.20	163.50	153.50
in different areas of shipping (%)	100	100	43.98	45.30	19.19	16.66	36.83	38.04
in Ukrainian ports (millions of tonnes)	146.44	126.10	58.17	52.90	39.07	38.30	49.20	34.90
in different areas of shipping (%)	100	100	39.72	41.95	26.68	30.37	33.60	27.68
Ukrainian share of ministry-wide operations	32.99	31.26	29.79	28.95	45.87	56.99	30.10	22.74

Imports are consumed by Ukraine in the following amounts (in percentages of the total quantity delivered): almost 100 percent of the ores and concentrates, over 60 percent of the chemicals, 54 percent of the raw sugar, around 40 percent of the grain, 53 percent of the cement and mineral construction materials, and around 20 percent of the metals. These data indicate that maritime transport occupies an important place in the Ukrainian transportation system and carries freight that is extremely necessary to the Ukrainian economy. For this reason, Ukraine's ownership of several MMF enterprises located within the republic is an objective necessity.

Nevertheless, we must not ignore the realities of the organizational structure of branch management and the state of the capital stock of the shipping lines. The first of these concerns includes the structural complexity of the conglomerate of subdivisions of maritime transport, which belong to different hierarchical jurisdictions and are not monolithic. These subdivisions can be divided into four separate categories:

the personnel training system (the state maritime academy, the merchant fleet engineering institute, and the nautical institutes and schools);

agencies of state technical oversight (the inspection boards of the USSR Registry of Shipping);

the service and maintenance system for foreign ships ("Inflot");

production links (the maritime shipping lines with their complex structural symbiosis of a maritime triad—ship owners, ports, and plants, as well as auxiliary enterprises: "Transflot," "Torgmortsans," the sea route administrations, and others).

We will take a closer look at each of these groups.

The personnel training system in the region took a long time to set up and was intended to train ship crew members and workers of coastal services as specialists for the shipping lines of Ukraine and for other MMF subdivisions in the Baltic zone, the North, and the Far East. Technical and vocational institutes in Odessa, Ilyichevsk, Berdyansk, Izmail, and other port cities train specialists for the mass professions, nautical schools train seamen in various specialties, nautical institutes train middle-level command personnel, and the higher academic institutions—the Odessa Merchant Fleet Engineering Institute and the Odessa State Maritime Academy—are large academic and scientific centers.

All of these organizations are now financed by the shipping lines and their enrollment figures depend on the demand for their graduates. In the future it would be advisable to continue training specialists in higher academic institutions for the shipping lines of other republics on the basis of contracts, extending national personnel training limits to them without jeopardizing the interests of Ukrainian shipping lines.

Agencies of state technical oversight in Odessa, Mariupol, Izmail, Nikolayev, and the Crimean zone can carry

out their activities on the basis of contracts in the initial stage. Later it would be advisable to organize a single Ukrainian inspection agency by augmenting the functions of the present Ukrainian State Committee for Fleet Inspections and extending its jurisdiction to sea-going vessels. The fulfillment of reciprocal contracts concluded by the USSR Registry of Shipping with Lloyd's of Germany, Bureau Veritas, the Lloyd's Shipping Registry, and other foreign registries may be delegated to the Ukrainian State Committee for Fleet Inspections on the basis of the Ukrainian law "On Succession in Interest."

It would be advisable to convert the ship service and maintenance system ("Inflot" and "Transflot") into a single autonomous joint-stock firm with broad powers, operating on the principles of cost recovery, like the supply offices (ship chandlers) in all foreign ports.

The last (and main) group—the "production links," the operations of which are of the greatest practical interest today—warrants more detailed discussion.

The ship repair plants are now the most autonomous of the active members of this maritime triad. They are under the jurisdiction of shipping lines, but they have the rights of autonomous, economically accountable enterprises, and they can be privatized under certain conditions by a decision of their workers by means of the establishment of joint-stock companies for contracted ship repairs. Like the Izmail and Kiliya ship repair plants, they can join production associations or leased enterprises as equal members or work autonomously, with a portfolio of outside orders and the requisite state orders for repairs of the region's sea-going ships.

The production program of the maritime ship repair plants in Ukraine amounted to 179.7 million rubles in 1990 (representing 32.1 percent of the program of all plants in the branch)—53.4 percent in ship repairs, 11.4 percent in shipbuilding, and 21.2 percent in machine building. In 1990 the need for plant repairs of the ships of Ukrainian shipping lines was equivalent to 78 percent of the operational capacity of the plants. Consequently, even with the present state of production facilities, the plants have the extra time and resources to fill outside orders. In addition, there is the intention of ship owners to make more active use of shippers' resources to increase the percentage of repairs conducted in foreign shipyards. Now that our organizations are suffering from a shortage of spare parts, this could be of considerable importance in view of the great variety of vessels owned by Ukrainian shipping lines.

The privatization of ship repair plants should be conducted in line with the future law on the basic principles of the denationalization and privatization of enterprises by means of stock issues. The two other members of the triad are not expected to put up any active resistance because relations with them are already being reorganized on the basis of contracts. The privatization of ship repair plants could be carried out by issuing stock to enterprise personnel. As an autonomous organization with the status of a legal entity, the plant (the joint-stock

ship repair enterprise) would have the right to own, use, and dispose of collective property and would thereby be able to pursue an autonomous economic policy in all spheres of activity. When the plant is reclassified as a joint-stock enterprise, however, the registration certificate should include certain restrictions on specialization to avoid a prevalence of shipbuilding, machine building, or some other activity over ship repairs.

The sea ports are the second element of this symbiosis. In the past, according to the USSR Code of Commercial Navigation, they were under the jurisdiction of the MMF, which delegated some of its rights to the administrators of shipping lines. This is contrary to the world practice of separating the interests of the owners of ships and ports, because the ownership of the port by the user and its complete dependence on the user's monopolistic decisions preclude operational and financial flexibility

in the port's relations with clients, inhibits the development of ports, and prevents the rapid expansion of commercial contacts with foreign states. Because of the shortage of berths and the absence of reserve storage areas, the amount of freight not shipped through the Azov and Black Sea basin has been estimated at almost 50 million tonnes (judging by the maximum capacity of the fleet serving the ports of this basin). The differences between the capabilities of production and auxiliary facilities, the disparities between the materials-handling capabilities of off-shore and on-shore complexes, and the inability (for several reasons) of other modes of transport to compare their carrying capacity with the volume of freight delivered by sea will require around 500 million rubles in additional investments, which could be obtained directly from the users and could result in the elimination of these disparities. The degree to which even the largest Ukrainian ports are behind foreign ports in their development can be seen in Table 2.

**Table 2. Comparative Data on European and Ukrainian Ports**

Ports	Number of berths	Length of berths (km)	Covered storage area (thousands of m <sup>2</sup> )	Freight-handling capacity (millions of tonnes)
Rotterdam	375	33	845	254.8
Antwerp	510	97	1965	91.1
Odessa	32	4.6	69	30.3
Ilyichevsk	27	5.2	60.3	15.1

The stepped-up development of the ports and the establishment of reserve freight transfer capacity without any appreciable increase in the through capacity of associated modes of transport, without the attraction of outside investors, and with the retention of existing forms of management, would be virtually impossible.

The choice of new organizational structures of management and forms of ownership in our ports should be based on world experience. There are more than 2,000 sea ports serving the needs of commercial navigation in the world today. All of the different types of administration in these ports can be divided conditionally into four main groups:

In the autonomous ports managed by a board of users, equipment is leased by private freight expeditors. The board may set the rates for services and port fees, without changing the customary national duties. This kind of port is a legal entity with separate financing and is independent of the government, but does have a relationship with government financial agencies. Autonomous ports abroad include Dunkirk, Le Havre, Nantes, Bordeaux, Marseilles, London, Halifax, Quebec, Montreal, around 100 U.S. ports, etc.

Municipal ports are administered by boards or municipal corporations and are under the control of local agencies. The board usually consists of individuals appointed by the governor or by municipal officials. The port infrastructure and most of the equipment belong to the latter. Berths, warehouses, cranes, and other facilities

are leased. Almost all ports in Sweden, Norway, Japan, and several other countries are municipal.

Privately owned ports operate on a purely commercial basis for the sole purpose of earning maximum profits. They usually belong to a company with port authority rights. Manchester is an example of this kind of port.

Nationalized ports have administrators appointed by government officials. The administrators with voting rights do not include any representatives of port users. These ports operate under centralized control on a separate balance sheet, they are financed by the state budget, and they are completely accountable and subordinate to government agencies.

In view of the important architectural role of port facilities in urban development in Ukraine, the most preferable form is the municipal administration with joint-stock ownership of the infrastructure and port equipment.

The shipping lines, acting as the owners of the ships, although they do not actually own them, are the last and main element of this triad. According to the USSR Code of Commercial Navigation (USSR KTM), ships are owned by the state. The right to dispose of government ships belonged to the state—the property owner. The state exercised this right through an agency of governmental and economic administration (in this case, through the USSR Ministry of the Maritime Fleet). The

latter transferred vessels carrying cargo, passengers, baggage, and mail to the operational jurisdiction of maritime shipping lines. Ownership rights to a sea-going merchant vessel are recorded in a special international certificate issued by the administration of the sea and trade port in the location to which the vessel has been assigned in the state register of ships.

The immunity (legal inviolability) of property belonging to the state is a common principle of international law, which is extended to sea-going vessels under state (or union) ownership. Foreign judicial establishments and other official agencies cannot confiscate, detain, impound, or search these vessels without the consent of the state to which the vessel belongs (in this case, the USSR). These legal provisions must be taken into account during legal transfers of title to ships. When the certificate of ownership rights was issued for the ship, the port of registration also issued a certificate of the right to sail under the state flag of the USSR, corroborating the state ownership of the vessel. This is one of the 31 legal documents which are required by the USSR KTM and international conventions and which give a ship the right to operate in the international freight market. The state flag of Ukraine has been recognized by the United Nations as the flag of a UN member, and for this reason a change of owners of the ships of Ukrainian shipping lines and a change of flags require only the legal registration procedure. The need to keep fleet capacity at its earlier level is a more complex matter. Although the Soviet merchant fleet was among the top 10 fleets in the world, it occupied a less than modest position in terms of freight volumes: Ships of the USSR MMF transported only 179.5 million tonnes of the 3.7 billion tonnes of foreign trade cargo the world fleet shipped in 1988, or only 4.9 percent. The share of Ukrainian shipping lines was absolutely negligible—40.6 million tonnes, or 1.1 percent of the world figure and 22.6 percent of the union figure.

The real assets among the capital stock of the shipping lines are represented by the merchant fleet, which consisted of 403 vessels at the beginning of 1991 (not counting the SPD river fleet), including 367 dry-cargo ships, 10 tankers, and 26 passenger ships. The average age of the dry-cargo ships is 15.8 years. More than 30 percent of the ships of the lines are more than 20 years old, and 64 percent are over 16 years old. The aging of the fleet not only increases repair costs and causes the loss of speed and operating time, but also leads (primarily) to more lost freight opportunities, because shippers prefer not to use the services of carriers with ships that have been in use for more than 15 years, and the administrators of several foreign ports have already refused to allow these ships into their waters.

The simultaneous mass augmentation of the fleet of the Ukrainian shipping lines in the 1960s and 1970s led to the equally simultaneous and mass need to retire the ships. In 1991, 151 maritime cargo ships and 133 river boats of the Ukrainian shipping lines, with a total carrying capacity of 1.5 million tonnes, and 19 passenger

boats accommodating 6,500 passengers, will have to be withdrawn from the fleet because of technical obsolescence. According to preliminary estimates, it will take at least 400 million rubles in state subsidies each year just to renew the fleet. This suggests that it will be virtually impossible to maintain earlier transport volumes with real assets in their present state, because any increase in volume will result in higher risk insurance premiums. The financial status of the shipping lines is extremely disturbing. Conflicts caused by the failure of organizations and departments of the Ministry of Foreign Economic Relations to make scheduled payments for export-import shipments and several other organizational difficulties have put the shipping lines on the verge of bankruptcy. In addition to the institution of traditional measures of state protectionism, privileges must be extended to the ship owners of Ukraine (exemption from budget deductions of foreign currency receipts for 3-5 years, permission to use the services of foreign banks for foreign economic settlements, authorization to establish their own commercial bank with the right of direct correspondent relationships and to sell foreign currency at auction, etc.).

Now that the branch has ceased to be an appendage of foreign trade and has become an exporter of its own transport services, the shipping lines sailing under the Ukrainian flag should also have legal means of defending themselves against rivals in the freight market in all aspects of political, social, commercial, consular, and intergovernmental relations. It will take a great deal of work to set Ukrainian shipping in order, because no country can secure the development of its national commercial shipping without establishing the necessary prerequisites and choosing clear and precise trade policy objectives. The activities of the merchant fleet and navigation in each country have always been viewed in close connection with the state's economic and political interests.

The practices of centuries have combined to make up a group of factors influencing the maritime policy of each littoral country: its geographic position and the length of its maritime borders and supply lines; the development of its economy and foreign trade, determining its foreign and domestic commodity turnover and its need for shipping; its political and economic relations with other maritime countries; its military and naval strength, and its ability to secure the inviolability of its maritime borders and the freedom of shipping. These factors are part of intrinsic reality, and there is no question that they must be reflected in Ukraine's sovereign maritime policy. It has traditionally taken the form of laws, official state documents, and international treaties and agreements establishing and regulating the conditions, scales, forms, and methods of the use of the expanses and resources of the world ocean in national production.

Most of the relationships in this sphere are now regulated by union laws. Ukraine is party to a relatively insignificant number of international agreements in this sphere. The overwhelming majority of these documents

were signed by representatives of the USSR. The union is an active participant in the UN Conference on Trade and Development (UNCTAD) and the International Maritime Satellite Communications Organization (INMARSAT). Over 40 states signed bilateral intergovernmental agreements with the USSR on commercial shipping. Ukraine might (if an agreement can be reached) be considered a successor in interest to USSR maritime policy. This fact will have to be recorded in a document and stipulated in existing official enactments conferring rights and obligations on Ukraine, including international treaties. This will require the passage of legislative enactments by the country's government and parliament. In particular, the Code of Commercial Navigation will have to be approved by the highest legislative authority—the Supreme Soviet of Ukraine, and laws will have to be drafted and passed on Ukraine's maritime areas, its territorial waters, its continental shelf, its exclusive economic zone, etc. Ukraine's participation in the UN Convention on the Law of the Sea, which was signed by the government but was not ratified, will also have to be reconsidered.

There is also a need for a precise Ukrainian shipping policy—the combination of political, economic, legal, and organizational measures to strengthen the republic's position in world shipping, to keep national foreign trade independent of the dictates of other ship owners, etc. As for the management structure, it will take the form of a two-level corporation with joint financing and separate production operations. The joint-stock enterprises (ports, plants, firms supplying ships with food and other necessities, sea route administrations, trade combines, and others) and the functional coastal subdivisions will conduct their operations on the basis of commercial interests by agreement with clients. The allotment of enterprises from the shipping lines (joint-stock companies) with reduced payments (or redemption fees) for the residual value of capital stock will be conditional upon priority service to the fleet of the "parent" company.

The second level of the corporation, consisting of the joint-stock companies based on the former shipping lines, should not have the controlling stock, which will allow the whole corporation to make decisions on the basis of a consensus of the boards of directors on all levels. Disputes capable of affecting national interests should be settled in an arbitration court according to the established procedure. Government agencies (the ministry or the State Committee for Transportation) should not have the power to issue authoritarian directives to the joint-stock elements of the corporate maritime enterprises. The functions of the agencies should be defined in the Law on Transportation in the Republic of Ukraine.

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#### Electric Power Requirements, Plans Examined

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22 Sep 92 pp 3-4

[Article by Igor Yukhnovskiy: "How Can the State Be Supplied with Electric Power? An Inquiry into the Reorganization of the Production Structure in Ukraine"]

[Text] The energy supply is a matter of exceptional importance to every society. The primary sources of energy in Ukraine are coal, gas, oil, uranium, and so-called renewable sources: the energy of rivers, the wind, the sun, hot springs, agricultural by-products, etc. Renewable sources account for around 3 percent of all the energy produced in the republic. Their future growth will be slow. We will not be discussing these sources of energy, which are insignificant from the quantitative standpoint, with the exception of hydraulic power, which will be discussed to some extent.

Extraction figures in Ukraine today include around 100 million tonnes of energy-producing coal, or 65 million tonnes of SF (standard fuel); 5 million tonnes of oil, from which we derive 2.5 million tonnes of fuel oil or 3.4 million tonnes of SF; and 22 billion cubic meters of gas, or 25.5 million tonnes of SF. All of this amounts to 94 million tonnes of SF.

The energy requirements of the Ukrainian national economy, however, amount to at least 300 million tonnes of SF. Therefore, what we have constitutes around one-third of what we need. We have to import fuel in order to survive.

Fuel is imported mainly from Russia, and we get a small quantity of gas from Turkmenistan. We have to import 120 billion cubic meters (or 138 million tonnes of SF) of gas and 50 million tonnes of oil (for the derivation of 25 million tonnes of fuel oil or 34 million tonnes of SF from this fuel at our enterprises) each year. Besides this, we also import a small quantity of coal—around 10 million tonnes. Oil and gas imports represent the main element of Ukraine's negative balance of trade with Russia. The cost of 50 million tonnes of imported oil (at 120 dollars a tonne) is 6 billion dollars, and the cost of 120 billion cubic meters of gas (at 80 dollars for 1,000 cubic meters) is 9.6 billion dollars. This is a total of 15.6 billion dollars a year.

Our excessive dependence on a single supplier has made the country's energy supply extremely unreliable. This would be inadmissible in the economy of a normal state. In addition, we have to consider the possibility of political instability in Russia and the economic and political upheavals that might occur there.

If we want to achieve elementary production stability in Ukraine, we must make the self-sufficiency of the whole state and of its separate regions our primary concern.

When I have conversations with people who have come here from abroad, they often express their surprise at our poverty. There is only one answer to their questions. We are poor because we did not have our own independent state. The economy of Ukraine was utterly depleted for centuries and decades. Others used our fuel reserves, destroyed our forests, and built huge enterprises for the production of semimanufactured goods. They were not renovated for decades. The important thing was to take as much as possible out of Ukraine at a minimum cost. Now that the republic has been driven to poverty, backwardness, and unprofitability in its main sectors, it

has been...excommunicated from the sources of energy supplies: "Here is the autonomy you wanted so much."

One of the main conditions of independence is energy self-sufficiency. Can Ukraine become a self-sufficient state in this respect? Yes, Ukraine has the necessary prerequisites for this. We will discuss them in detail.

#### Elements of Energy Self-Sufficiency

We will begin with gas. Our own output in 1990 amounted to 28 billion cubic meters, but in 1991 it decreased to 22 billion. Nevertheless, the more intensive exploitation of prepared deposits in Ukraine could increase the annual output of our own gas to 30 billion cubic meters, representing more than 34 million tonnes of SF. The gas in Russian and Turkmen pipelines is pumped through Ukrainian territory. In line with international standards, this should give us another 20 billion cubic meters a year. Therefore, we can expect 50 billion cubic meters a year.

Ukraine has huge gas storage facilities for 25 billion cubic meters, and these can be enlarged.

Ukraine has skilled specialists and a developed gas industry. We produce gas pipe, compressors, turbines, and other important equipment. We have established an independent association of gas and oil industry specialists. Its concerns include the full range of work in exploration, recovery, the exploitation of gas and oil deposits, and transportation.

We need 17 billion cubic meters of gas for public utilities. We use around 34 billion cubic meters of gas in the production of electric power. The amount used in the production of electricity should slowly but surely be reduced to the minimum. In view of the possibility of exploiting new deposits, where projected reserves are estimated at 700 billion cubic meters, we might not have any major problems with the gas supply. Of course, we will still have to import some gas, but it will not be in the disastrously large quantities we are importing now.

We are poor in oil. Projected reserves have been estimated at 125 million tonnes, and we can recover up to 5 million tonnes of oil a year. Our petroleum refineries can handle 62 million tonnes of oil a year. The intensity of oil refining is around 50 percent, as a result of which all of our refineries are operating at a loss.

The Ukrainian economy now consumes around 10 million tonnes of gasoline and around 14 million tonnes of diesel fuel each year. We have to take these figures into account. Because of our unproductive oil refineries, we will have to import 60 million tonnes of oil at a cost of around 7.2 billion dollars to obtain the necessary quantity of fuel.

We can either intensify oil refining, reduce transport volumes, or acquire vehicles using less fuel. There are no other alternatives.

Our national problems have been caused by the low standards in the republic's petrochemical industry. Our level of refining intensity is the lowest in the world (and

in the former Union). Scientific and production organizations in Ukraine did not develop or incorporate a single catalyst for its intensification. If we could raise the level to 75 percent (it can reach as high as 90 percent in the United States and 83 percent in the FRG), we could save at least 2 billion U.S. dollars a year.

Ukraine produces vinyl chloride, ethylene, propylene, and other monomers, but their polymerization occurs at enterprises in Russia. The plastic we import from there costs dozens of times as much. Furthermore, we have no paper of our own, but we do have colossal amounts of agricultural and other products that have to be wrapped and stored. This also applies to the production of lubricants.

Ukraine produces large quantities of residual fuel oil, which is the main reason for shortages in the petroleum refining industry—around 30 million tonnes (including petrobitumen). Around 12 million tonnes of residual fuel oil are exported, creating a deficit of around 120 million dollars a year. Many foreign countries and businesses want to buy fuel oil from us. Unfortunately, this mafia operation, which is sometimes beyond state control, is still the norm today.

We use around 13 million tonnes of fuel oil to produce electric and thermal power. This is another opportunity to save money by gradually replacing fuel oil with another type of fuel. This will ultimately take place without any help from us. The modernization of oil refineries will reduce the amount of commercial fuel oil.

As for coal, around 100 million tonnes of the total 160 million tonnes of coal we produce each year is energy-yielding. The Ministry of Energy uses 37 million tonnes for the generation of electric and thermal power.

Ukraine has exceptionally large coal reserves. At least 10 billion tonnes of energy-producing coal can be found in deposits ready for exploitation, and total Ukrainian resources could be as high as 100 billion tonnes. We need 90 million tonnes of standard fuel now for electrical power engineering. This is equivalent to 140 million tonnes of energy-producing coal. Therefore, in order to completely exclude the use of gas or fuel oil in the generation of electricity, we will need around 100 million additional tonnes. In all, the coal output should be increased to 240 million tonnes a year. With this level of intensity, we would have enough coal for the next 300-400 years. We must not forget about the need to process the clinker that has been accumulated in huge quantities and is still being accumulated near the coal mines of the Donbass and cis-Dnieper zone.

Uranium reserves in Ukraine have been estimated at 50,000 tonnes, but the use of nuclear power presents a special problem, which will be discussed later.

As for electric power engineering, half of Ukraine's own resources and imports of primary fuel (gas, coal, oil, and uranium) are used in the production of electric and thermal power along with the energy of Ukrainian rivers.

For this reason, we should take a look at the main type of energy—electrical power. After all, when we discuss energy self-sufficiency, we are referring to Ukraine's ability to satisfy its own need for electricity. Ukraine's electric power plants produce 290 billion kilowatt-hours of electricity a year with existing power plant capacities of 47 million kilowatts.

Tremendous losses of electric power in industry have led to a high level of per capita energy consumption, exceeding 5,000 kilowatt-hours a year. This is the world average. The consumption of public utilities per urban resident is 1,000 kilowatt-hours, however, and the figure for rural residents is 500 kilowatt-hours, and these are among the lowest in the world.

Electricity is produced mainly in thermal power plants in Ukraine. They include such giants as the Zmeyevskaya, Luganskaya, Kurakhovskaya, Uglegorskaya, and Starobeshevskaya plants in the east, the Burshtynskaya and Dobrotvorskaya plants in the west, the Zaporozhskaya, Tripolskaya, and Kirovorozhskaya plants in the center, and others. Different types of plants produce the following amounts of electric power: thermal power plants—183 billion kilowatt-hours (66 percent), nuclear power plants—77 billion kilowatt-hours (26 percent), and hydroelectric plants—10 billion kilowatt-hours (3 percent), with small power blocks and local units producing the rest.

The state of electrical power engineering in Ukraine is unsatisfactory. More than 20 percent of the equipment is hopelessly obsolete, and 70 percent of the electricity-generating equipment has outlived its service life. There has been no effort to modernize thermal power engineering in Ukraine for several decades.

The power plants of the Donbass are in a particularly neglected state. The inferior technology for the combustion of coal, residual fuel oil, and gas emits large quantities of pollutants into the air and soil.

Total emissions amounted to 2.5 million tonnes in 1991, including 1.4 million tonnes of SO<sub>2</sub> and 375,000 tonnes of NOx. Carbon oxides are still not being recorded. Sulfur and nitrogen oxides are the main sources of acid rain. Nitrogen and carbon oxides and volatile organic substances are the main elements of some types of smog.

In 1987, when power plants in the world had a capacity of 10 billion kilowatts, the plants emitted 6 billion tonnes of CO<sub>2</sub>. The use of gas and fuel oil is convenient from the environmental standpoint. The use of gas does not result in the carbon residue produced by coal, it does not emit any SO<sub>2</sub>, and NOx emissions are only half as great as in coal combustion.

We know that carbon oxides are also the main cause of the greenhouse effect. If these emissions are not reduced, the earth faces disaster—the warming of the climate and a drop in sea level.

This is why the replacement of existing thermal power plants with new, ecologically clean units would be in the interest of Ukraine and the rest of the world.

Nuclear power engineering offers the cleanest technology for the generation of electric power, with almost no atmospheric emissions. Priority was assigned to the development of nuclear power engineering in the former USSR. Five nuclear plants with a total capacity of almost 14 million kilowatts were built in Ukraine. After the Chernobyl plant was closed, this capacity decreased to 10 million kilowatts.

One of the distinctive features of the operation of nuclear power plants is their stable schedule. Once a nuclear power plant has begun operating, it delivers a constant supply of power to the power network.

The policy that was approved two decades ago for the development of nuclear power engineering took on the features of a national craze. As a result, no one made any effort to keep republic thermal power plants in working order or to modernize them.

The hydroelectric power plants in Ukraine have not had any significant effect on its energy supply. Today these plants mainly regulate the frequency and stability of operations in the Ukrainian power supply system.

#### **The Current Energy Program**

This program presupposes the satisfaction of Ukraine's energy requirements with gas from Russia, Turkmenistan, and Kazakhstan. The more efficient operation of electric power plants presupposes the widespread use of steam-gas generators. These are modern turbine assemblies. Their operation entails the use of gas and steam turbines in the operating cycle. The installation of steam-gas generators does not require any major construction work and can be done in a relatively short time—within one or two years. Ukraine has two large turbine-building centers in Nikolayev and Kharkov. Unfortunately, the installation of large turbines virtually ceased in the 1970s at the Kharkov Turbine Plant. This is now the main objective of the Kharkov plant. Besides this, the boilers needed in large thermal power plants and smaller units are not produced in Ukraine. We do not have any monitoring stands to test the equipment either. All of this means that Ukraine has to buy one or two power plants abroad, probably from Italy, and accumulate the necessary experience in their installation and operation. A single steam-gas plant with a capacity of 1 million kilowatts will cost around 600 million U.S. dollars. The plants are relatively clean in the ecological sense, with the exception of some danger of nitrogen oxide emissions, and they require only a negligible amount of water for their operation, which is also particularly important in view of the water shortage in Ukraine.

The program for the development of steam-gas units in electrical power engineering calls for a dramatic increase in gas use—more than 20 billion cubic meters a year. This will entail additional expenditures of around 1.6 billion U.S. dollars a year on fuel. The program also envisages the relative reduction of the amount of coal used in power engineering, from 34 percent in 1990 to 31 percent in 2005. This could cause social upheavals in the industrial Donbass region. This is the main reason why

we cannot use gas as the main fuel in Ukrainian power engineering. We do not have this gas, and this is the crux of the problem.

What are other countries doing? France plans to derive 75 percent of its electricity from coal by 2000. The United States plans to increase the amount of coal it uses from 900 million tonnes in 1990 to 1.55 billion in 2010, and to almost 2.6 billion in 2030—i.e., an increase of almost 310 percent. Russia plans to base its power engineering primarily on gas and on steam-gas generators, although the amount of oil and gas Russia loses during extraction and transport exceeds the amount of energy produced by all of the nuclear power plants in Russia.

The second half of the energy program envisages the incorporation of the unfinished blocks of the Khmelnytskaya (one block), Rovenskaya (one), and Zaporozhskaya (one) nuclear power plants. This would result in 20 billion kilowatt-hours of energy a year. Expenditures on construction and installation and on adjustments for the incorporation of three new blocks of the nuclear power plants could be as high as 400 million U.S. dollars. Besides this, Ukraine does not have any nuclear fuel of its own. The primary enrichment of uranium in Zheltyye Vody results in an 0.7 percent concentration of  $U^{235}$  isotopes. This low concentration is not suitable for use in Ukraine's nuclear power plants. Working reactors like the VVER [water-moderated water-cooled power reactor] need uranium enriched to a level of 5-6 percent. We have to buy this kind of fuel from Russia. We pay almost 100 million U.S. dollars a year for the fuel for 10 existing units. If the three new blocks are put in operation, we will have to spend almost 50 million dollars more on fuel. Therefore, the incorporation of the new blocks will entail sizable additional expenditures.

The main requirement nuclear power plants must satisfy is the safety requirement. The new VVER units are expected to be much safer than the VVER blocks in operation now. A program has been drawn up for the remodeling of existing blocks, which would reduce the probability of accidents to one every 3 million reactor-years, which obviously exceeds existing world standards. But how realistic is this program? According to the estimates of the Zeleniy Svit program, the improvements will cost from 500 million to 1.5 billion dollars for each reactor. After the unification of the two Germanies, reputable groups of Western experts conducted exhaustive studies of the VVER units the USSR had installed in East Germany. Electronic defects were not the main problem. Electronic equipment can be replaced. There are four main risk features in the VVER's in all of Central and Eastern Europe, and not one of them can be eliminated completely by remodeling. Two U-213 models of the VVER and one U-320 model were installed at the Rovenskaya nuclear power plant. The Khmelnytskaya, South Ukraine, and Zaporozhskaya reactors and one of the reactors at the Rovenskaya plant are the U-320 model. All of these systems have an

excessively brittle reactor vessel, excessive pipe corrosion, and a shell that is not large enough to secure the necessary water buffer between the neutron-generating fuel and the reactor wall. There is a high probability of breakdown in the emergency shut-off system and several other defects.

All of these factors suggest that the improvement of existing nuclear plants to meet the safety requirements of the civilized world will cost much more than the construction of new electric power plants. We have not even discussed the problem of dismantling the nuclear plants after 30 years of operation. According to world estimates, the dismantling will cost billions of dollars for each million kilowatts of capacity.

In view of the fact that the production costs of electricity in the world are 0.0304 dollars per kilowatt-hour on the average, all of the Ukrainian electric power plants operating on gas are unprofitable. This is obvious even without any comparison to world production costs. The commercial price of a kilowatt-hour is 0.04 dollars. At this time we are trying to sell 10 billion kilowatt-hours of electricity abroad for at least 0.03 dollars a kilowatt-hour. This means that we are incurring losses by using gas in electric power engineering. Electric power plants operating on fuel oil are on the verge of unprofitability.

As for the electric power plants operating on coal, they are "too profitable": The cost of producing a kilowatt-hour is equivalent to 58 percent of world production costs. The reason is that these power plants do not meet ecological requirements. In fact, their emissions of 0.15-1.5 grams of solid particles, 2.5 grams of  $SO_2$ , and 1-2 grams of  $NO_x$  per cubic meter are disastrously excessive. We might wonder why we are systematically poisoning ourselves. The obvious conclusion is that the Ministry of Energy should reimburse electric power plants operating on coal 12 dollars for each thousand kilowatt-hours. This money should be used for remodeling and environmental projects.

We have not spent much time discussing the hydroelectric power plants. It would be extremely difficult to think of a reason for the construction of so many hydroelectric power plants along the Dnieper. In view of the value of the submerged land and destroyed farms, the plans for the Kakhovskiy hydraulic power system sound ludicrous. The losses resulting from its operation can be measured in billions of dollars each decade.

#### Which Is the Optimal Development Strategy for Power Engineering?

Before we answer this question, we should take a look at world energy strategy. Why did the Germans, the French, and the Americans, and then the whole civilized world, suddenly assign priority to the use of coal?

This occurred because extremely effective boiler systems were developed for coal combustion.

Low-grade coal with heat-generating capacity of 4,500-6,000 kilocalories per kilogram, an ash content of up to 35 percent, a high sulfur content of up to 5 percent, and

other impurities can be burned in these boilers. They can be used to burn the residue of coal concentration factories and even the coal in waste piles, as well as damp coal.

Coal can be gasified, the gas from coke ovens can be used, and lignite or combustible shales can be used.

In short, efficient units, fired by cheap and fairly dirty fuel, have been developed. They accomplish the virtually complete combustion of organic substances, with only a fraction of the pollutants emitted by our present power plants.

Popular technical literature refers to the new units as fluidized bed boilers or boilers with a circulating fluidized bed (CFB). The French power engineering exhibit in Kiev at the beginning of this summer was extremely helpful to us in this field. Fairly detailed diagrams of the power engineering installations of French companies were exhibited there. In particular, there were diagrams, photographs, and descriptions of the power plants in the coal-mining districts of Lorraine in northeastern France. The Emile Buchet Plant is an excellent example of the renovation of a thermal power plant built in the late 1950s.

An analysis of these materials reaffirms our belief in the possibility of building clean, coal-fired thermal power plants, using everything possible from the old plants.

The technology for the use of limestone has been developed to secure clean combustion with minimal SO<sub>2</sub> and NO<sub>x</sub> emissions. Harmful SO<sub>2</sub> emissions have been minimized. Boilers of this type are now being built in various countries. The design of the system and the boilers in each specific case depends on the type of coal or carbon residue to be used. French companies are building these boilers in England, Spain, China, and India.

It is significant that new electric power plants are being built with a combination of CFB boilers and gas turbines.

There are plants fueled by the gas derived from the gasification of coal.

Unfortunately, we are hopelessly behind in the modernization of our thermal power plants, both in science and in industry. In spite of this, the modernization of existing thermal plants and the opening of new mines in the Donbass, the cis-Dniester zone, and the Lvov-Volyn basin, and the use of these in the construction of state-of-the-art, ecologically clean power plants constitute the only reasonable general line for the development of Ukrainian power engineering.

This will solve an entire group of acute economic and social problems in Ukraine. First of all, the plants are clean, and their incorporation will clean the air and the soil. Second, they will use the waste products which no one wants to buy and which have formed mountains of sludge. All of this waste can be put to use now. Third, it will solve difficult social problems in the Donbass region: People will have jobs, and they will be doing

effective and useful work. Fourth, when the new thermal power plants are being built, we will use our turbines, pumps, and other equipment and our metal. For this reason, the new plants will not cost billions of dollars each, but much less.

We must begin searching for possible sites for the new power plants soon. The new thermal power plants must be located near coal mines or waste piles or near other types of fuel. We have to remember that the sulfur content of our coal can be as high as 15 percent.

We will have the opportunity to use the effective scientific potential of Ukraine in comprehensive research, although it is woefully in debt to the people in the sphere of power engineering.

Finally, we must establish business contacts with leading firms in France, Germany, Canada, and the United States.

Nuclear power engineering based on the CANDU type of reactor instead of the VVER is of definite interest to Ukraine. Canada's nuclear power engineering is based on these reactors. According to the latest studies of the OECD Atomic Energy Agency, Canadian nuclear power plants are more economical than others. In 1989, four CANDU reactors were among the 10 best reactors in the world. In all, more than 30 reactors of this type, with a total capacity of 19 million kilowatts, have been installed in the world. The reactors have been installed in Canada, India, Pakistan, Argentina, South Korea, and Romania. The CANDU reactors operate on lightly concentrated uranium of exactly the type produced in Ukraine.

In terms of quality, the CANDU reactors are among the most reliable in the world. Their average capacity utilization coefficient—up to 94 percent—is one of the highest in the world.

Four safety systems are used in all of these reactors: two emergency shut-off systems, an emergency cooling system, and a system to secure the safety of the protective envelope, including the upper tank with the water coolant. The control and protection features work even if the power supply to the plant is lost.

The CANDU-3 reactor has an internal safety feature in the event of undesirable developments. The probability of severe accidents is once every million years.

The key design features include a 100-year guarantee on the components and parts that cannot be replaced during the scheduled 90-day shutdowns, the high fuel burn-up factor, and the possibility of using the spent fuel from a VVER with only the slightest enrichment.

The CANDU reactors are of considerable interest to Ukraine. First of all, we already have the necessary fuel for them and we can arrange for the production of zirconium-niobium pipes for the boilers (we already produce zirconium and niobium). Heavy water is produced in Ukraine. We have a strong nuclear construction

industry and state-of-the-art electronic control systems. Ukrainian specialists should give this reactor thorough consideration.

Although we will assign priority to the development of coal and coal-and-gas electric power plants with a circulating fluidized bed, we must not stop the projects for the development of safe nuclear power plants. Ukraine has colossal coal reserves and large reserves of uranium, which would give us a chance to develop an ecologically clean national power engineering network. We have good prospects for complete self-sufficiency in electric power.

We have the potential to satisfy all of our own need for gas (in view of the fees we could charge for the transport of gas through Ukrainian territory). We will be buying oil, but it is already time to start looking for buyers for around one-third of our refineries.

It is time to begin planning the renovation of existing mines and electric power plants and the construction of new and modern ones in specific locations and to serve specific enterprises and establishments.

Finally, we have to give energy conservation thorough consideration. Our commodities, such as ore conglomerate, agglomerate, cast iron, steel, rolled metal, machines, instruments, electronics, grain, meat, and sugar, are not the world's finest. Nevertheless, we use an average of five times as much energy as they do abroad in their production.

The conservation of energy is one of our primary concerns. Along with the natural slump in production, elementary measures to conserve electricity, fuel, and heat in our buildings and homes will reduce our energy consumption by at least 10 percent. It would be advisable for our electrical equipment industry to quickly

organize the production of modern, long-lasting light bulbs and various relay and shut-off systems. There is no question that the main conservation measures should be taken in heavy industry and machine building. We could cut actual consumption by around 30 percent in these areas. Of course, we might consider the incorporation of units for the dry slackening of coke, changes of technology in blast furnaces, the construction of large electric-arc furnaces, the more intensive refining of oil, the production of new construction materials, and many other options.

With our existing equipment, we can conserve electricity and fuel by organizational means. Gas, fuel oil, and various types of coal are now used as fuel. The correct distribution of different types of fuel among different combustion units would be enough to reduce fuel consumption by another 10 percent, and this would save around 2 billion dollars a year.

From all of this, therefore, we can conclude that Ukraine can satisfy its own energy needs. To this end, we must assign priority to the modernization of existing coal-fired electric power plants and the construction of new, modern, and clean power plants of this type and to the development of coal mining. We have to develop our own production of the machines and boilers we use in power engineering.

While we are conducting intensive investigations of the safety of existing nuclear power blocks of the VVER type, we must give thorough consideration to the possibility of locating new nuclear power plants based on the CANDU-6 type of reactor in Ukraine and also institute broad-scale organization and investment programs for conservation and reorganize the management of the Ukrainian power supply system.

Although this will entail a great deal of effort, all of these plans are realistic.

**BELARUS****Industrialists' Party Congress Reviewed**

*93UN0102A Moscow NEZAVISIMAYA GAZETA  
in Russian 9 Oct 92 p 3*

[Article by Igor Sinyakevich: "Industrialists' Now Have Their Own Party: The Ruling Elite Is Preparing for Possible Elections"]

[Text] The constituent congress of the new party—the Belarusian Scientific-Production Congress (BNPK)—was held recently in Minsk. The parking lot in front of the Palace of Culture of the MAZ [Minsk Automobile Plant] was packed with directors' Volgas, and managers of industrial giants who are well-known throughout the entire republic sat on the presidium of the congress.

The founders of the new party came out for the formation of a civilized rule-of-law state, the conduct of economic reforms, and a socially directed market economy. Although the congress participants also supported the sovereignty of Belarus, they declared concern over the speed of the dissolution of the USSR, during which economic relations were disrupted. The BNPK came out for the introduction of the post of president in the republic. The new party believes that the transfer of land to private ownership is unjustified, but supports the allocation of land plots for lifetime use with right of inheritance. In the opinion of the congress participants, the scientific and engineering-technical intelligentsia, entrepreneurs operating in the sphere of science-intensive business and industry, and skilled workers and specialists will become the social base of the BNPK. The congress elected three cochairmen of the party, among whom are A. Sanchukovskiy, director of the Production Association Gorizont, and Professor V. Koleshko, vice president of the Belarusian Engineering-Technical Academy.

The emergence of this party fits into the process of political differentiation of the ruling elite. Even during the existence of the CPSU the nomenklatura was not uniform, and was divided according to social-corporate interests into several groups: party, industrial, agricultural, trade union, and state. In the post-putsch period, when it seemed that all the niches of the political spectrum were divided among parties of a democratic orientation, a new wave in their creation emerged. The first to establish themselves were party functionaries who were left without work. In December 1991 the Communist Party of Belarus was established. The remaining groups of the nomenklatura would have remained unorganized for a long time if it were not for the threat of a referendum on urgent elections to parliament initiated by the Belarusian People's Front. The danger of losing power was a stimulus to the ex-communist establishment in the creation of new parties. In April 1992 the People's Accord Party, initiated by the reform-minded part of the middle-level state nomenklatura, was established. June saw the emergence of the

United Agrarian-Democratic Party of Belarus, which united chairmen of kolkhozes and directors of sovkhozes. The recent forum of the BNPK rallied the industrial lobby, but the forthcoming constituent congress of the Democratic Labor Party of Belarus, whose organizational committee was established in July by a number of branch trade unions, will complete the second wave of organization of parties.

Naturally, there are not many actual differences between the political organizations and the nomenklatura, and it would be quite logical for them to unite into a single bloc. What remains unclear to the end is the role of the present government of V. Kebich in this game. In the absence of the Communist Party this office was transformed into an independent political force; however, he did not wish either to create a party "under himself" or express his support for one that was already organized. It is true that the government finances the activity of the ultra-left bloc of the coordination committee "For a Stable Belarus," probably, to shift the political center to the left. It is necessary to note that ex-Communists prepared themselves rather well for a legitimate method of maintaining authority. Under conditions of the formation of a civil society taking place and the previous formula of confrontation between "the ruling nomenklatura—the people" losing urgency, reliance is being placed on the social interests of the lower strata, who are beginning to understand that the initial market will not bring prosperity to everyone by a long shot. Taking into account the broad financial capabilities of the state and of the industrial nomenklatura (in many countries election results are determined by the power of one or other financial group), it is impossible to rule out a repetition in Belarus of the "Bulgarian variant," in which ex-Communists were victorious in the first democratic elections.

**MOLDOVA****Presidential Ukase on Official Language Legislation**

*935D0017A Chisinau NEZAVISIMAYA MOLDOVA  
in Russian 23 Sep 92 p 1*

[Text of Ukase of the President of the Republic of Moldova "On Certain Measures To Ensure the Fulfillment of Legislation on the Official Language"]

[Text] The adoption in 1989 of laws on the status of the official language and its return to the Latin alphabet was the first step on the path to affirming the sovereignty and independence of the Republic of Moldova.

In accordance with the legislation's demands, a State Comprehensive Program To Support the Functioning of Languages on the Territory of the Republic of Moldova was formulated and substantial capital was allocated to realize it.

However, recently a reduction in the study of the official language and in the expansion of the sphere of its operation has been observed. Certain persons who hold responsible posts and specialists from different areas of the national economy are ignoring the legislation and deliberately impeding the realization of the laws on the official language.

In order to eliminate these shortcomings, step up activity to put the laws on languages into effect, and implement the State Comprehensive Program To Support the Functioning of Languages on the Territory of the Republic of Moldova I decree the following:

1. The government must do the following:

ratify and put into effect as of 1 January 1994 the statute on testing leadership cadre as well as workers who by the nature of their job duties deal with citizens to determine their level of knowledge of the official language,

within a 2-week period review the structure and functions of the State Department of Languages, giving it the additional tasks of monitoring the activities of centers and courses for the study of the Romanian language, regardless of the form of ownership, issuing licenses, and preserving and correcting ethnic proper nouns;

decide the question of increasing the staff of the State Department of Languages in connection with charging it with additional functions;

before 15 November 1992 submit to Parliament proposals on making changes and additions to existing

legislation by envisioning measures of responsibility for failure to comply with legislation on languages;

establish a state order for the publication of dictionaries, textbooks, educational programs and other materials for the study of the official language until 1996.

2. At meetings of collegiums, executive committees, and city administration offices ["primeriya"], ministries, state departments, and organs of local self-government must review the state of affairs concerning compliance with legislation on languages and the fulfillment of the State Comprehensive Program To Support the Functioning of Languages on the Territory of the Republic of Moldova.

Submit information on the state of affairs in ministries, state departments, and subordinate territories as well as on measures adopted to ensure the strict fulfillment of legislation on languages to the State Department of Languages: this year before 1 December and in subsequent years no later than 15 December.

3. Direct the attention of the Department of Languages leadership to unsatisfactory work to ensure the realization and monitoring of fulfillment of legislation on languages.

The State Department of Languages must submit reports to the Government on the work done to realize legislation on languages and the State Comprehensive Program To Support the Functioning of Languages on the Territory of the Republic of Moldova once every 6 months.

4. This Ukase goes into effect the day it is signed.

[Signed] Mircea Snegur, president of the Republic of Moldova

City of Chisinau 21 September 1992

## TAJIKISTAN

### Officials, Groups Divided on Russian Army's Presence

### Demonstrators Protest, Some Leaders Support Army's Role

*93US0018A Moscow KOMSOMOLSKAYA PRAVDA in Russian 6 Oct 92 p 1*

[Article by U. Babakhanov: "Meeting Held by Refugees"]

[Text] A large meeting of refugees from Kurgan-Tyube Oblast was held yesterday in Dushanbe near the building which houses the Tajik parliament. The principal slogans of the people gathered here were as follows: "Down With the Russian Army!" and "We Will Not Allow Tajikistan To Be Turned Into a Second Afghanistan!" Speaking to those assembled, Akbarsho Iskanderov, chairman of the Tajikistan Supreme Soviet, called upon people to remain calm and not to give way to their emotions.

Kh.A. Turadzhonzode, the head of Tajikistan's Muslims, who was also here on Ozodi Square, informed journalists that he had brought up the matter of the need for the Russian Federation Army to remain completely neutral. He declared himself in favor of such important national-economic facilities of the Tajik state as the Nurekskaya GES [Hydroelectric Power Station] being placed under guard by Russian military units [podrazdeleniya].

Meanwhile, the status quo which evolved last week has continued in effect in this republic's political life. The administrative center and certain rayons of Kurgan-Tyube Oblast remain in the hands of Kulyab armed units [formirovaniya]. Sangak Safarov, their leader declared in an interview granted to a correspondent of the Italian News Agency last Saturday that all that was needed to put an end to the civil war in Tajikistan was to shoot four leaders from both the opposing sides. And he added the following statement: "I am prepared to become one of those four."

Attempts to stop the fratricidal war in Tajikistan are also being undertaken on an official level. In the last few days Kyrgyzstan has been attempting to assume an active role as peacemaker in this republic. According to my information, Kyrgyz Vice-President Feliks Kulov has arrived in Dushanbe today—for the third time recently—at the behest of A. Akayev. His goal is to get the warring factions to finally sit down at the negotiating table.

And here's some more news. Last Sunday the editorial offices of the Tajik democrats' newspaper ADOLAT were robbed by persons unknown. Yesterday everything that had been stolen was returned to the journalists with the exception of one dictaphone.

### Residents Seek Army's Help

*93US0018B Moscow KOMSOMOLSKAYA PRAVDA in Russian 7 Oct 92 p 1*

[Article by L. Krutakov: "Tajikistan: Russian Regiments Remain Under Siege: When Everything Is Collapsing Around Us, the Army Remains the Only Force on Which We Can Rely"]

[Text] In September the Tajik opposition made the following decision: Not one step backward; war to a victorious conclusion. Armed detachments burst into Kurgan-Tyube, and shortly afterward Kulyab also flared up. Two regular regiments of the CIS (now Russian) OVS [United Armed Forces], deployed in these cities became de facto hostages of the "new Afghanistan."

At that time the military did not intervene. The tank men counted the dead and wounded through their telescopic gunsights. Nowadays everything has changed. Helicopters have urgently flown in personnel from Russia. The reinforced regiments have become a real force.

And—as usual when everything is collapsing all around—the army is the only force which can be relied on. Even Kh.A. Turadzhonzoda, the leader of Tajikistan's Muslims and the spiritual leader of the opposition, has agreed that this republic's most important national-economic facilities should be placed under Army control.

Later curses will be aimed at the "occupation forces," and there will be demands for the removal of the Russian troops from sovereign Tajikistan. But—as of now—the inhabitants of Kurgan-Tyube and Kulyab are coming to the fence around the Russian military units [chasti]. And they are asking them to either restore order or to transport them away from there.

### Weakened KNB Cannot Manage Security Tasks

*93US0035A St. Petersburg SMENA in Russian 8 Oct 92 p 2*

[Article by Vladimir Yesipov: "The KNB of Tajikistan: Without Russians and Arms"]

[Text] Dushanbe—The Committee for National Security [KNB], one of the departments that the ukase "On Additional Measures for the Future Normalization of the Situation" in Tajikistan entrusted with control over the confiscation of arms of the population, was organized in May of this year on the basis of the KGB of the Tajik SSR [Soviet Socialist Republic]. However, as could be expected, the task of disarming proved difficult for the KNB to execute. There are several reasons for this. As we were told in the committee's center for public relations, the KNB is not in a position to conduct mass confiscation of arms today. There are several reasons for this. First, a shortage of personnel. There are people working on the committee now, but by the most approximate calculations not more than 100 persons. The

senior specialists convened in Dushanbe from the whole former Union, and there are no new ones. In addition, all of the Russian employees have already either left or written their resignations. Second, there are not enough arms—there is nothing with which to arm employees who go out on a mission on call. There are only 20 armored personnel carriers today that are subordinate to republic departments. The leaders of Tajikistan submitted a request to Russia to make about 30 armored personnel carriers available, but it was turned down. Kyrgyzstan promised to help with combat equipment, but specific agreements have not yet been achieved. In order to guarantee some kind of order in Dushanbe 21 posts have been set up on the city's main roads, at which employees of the KNB and Ministry of Internal Affairs of the republic are serving. It is here that bursts of automatic weapons fire can be heard at night—vehicles are fired on if they do not halt at the demand of the personnel on post duty.

Another task of the KNB is to investigate cases of illegal border crossing. Trespassers are brought from the border detachments to the committee's investigation isolation facility in Dushanbe. Those who have been arrested since May of this year are still awaiting a decision on their fate—there has not been even one trial yet, and not one sentence has been handed down. Something else puts one on guard: According to information from the headquarters of the Central Asia border district, in four months of this year about 1,000 persons were detained at the border. This is 10 times more than are in the investigation isolation facility. Some of the border guards do not rule out the fact that many of the trespassers who are delivered to Dushanbe by helicopter are simply released here. But not long ago during an exchange of fire at night a person was killed on the Pyandzh border detachment sector, at which time the border guards recognized an "old acquaintance"—he had already been arrested once at the border, and was escorted, hands tied, to Dushanbe.

Until recently KNB employees were faced with one more quite specific task—guarding former President of Tajikistan Nabiyev. As is well-known, the opposition that demanded his resignation accepted the conditions of the ex-president—renunciation of any political activity in exchange for a guarantee of safety, a pension, apartment, and car. Not one month had passed since the day of his resignation when Nabiyev began to appear in public with sharp criticism of the present government, thereby breaking his promise. Therefore, there is serious talk in the committee about instructions revoking all the benefits of the ex-president, including his security.

So, the creation of the most important institutions of state authority of Tajikistan—the army and organs of state security—has to be started practically from scratch under the conditions of a civil war. At the same time, of course, we should not count on a quick stabilization of the situation. What is more, if control over weapons is not established in the near future we can expect an inevitable spread of the zone of armed conflict.

In the meantime, on Tuesday evening in Dushanbe an attempt was made on the life of the deputy chief of the KNB, whose name we were forbidden to disclose—his car was fired on, and it burned up. It was only by sheer luck that no one was hurt.

#### Kurgan-Tyube, Kulyab Refugees Retell Woes

93US0015B St. Petersburg SMENA in Russian 8 Oct 92 p 1

[Article by Yelena Gusarenko: "You Cannot Escape War"]

[Text] Dushanbe—It is stifling from the large number of people in crowded office No. 19 of the Dushanbe gorispolkom [city executive committee] building; old men, women, little children. But the line of new arrivals is never-ending. These are the refugees. A majority of those who came to the municipal administration for refugee affairs have borne the loss of not only one or two members of the family... Today, more than 200,000 refugees have found shelter in Dushanbe. The world is not without good people—Dushanbe residents are taking refugees into their own apartments, hospitals, and even mosques. But what a life it is in a two-room apartment in which up to 18-20 persons are assembled! And the apartment owners are not in a position to provide food and the most basic needs for their involuntary guests.

A female journalist from a local radio looks with patient interest on the young woman who is being interviewed while holding a baby in her arms. The baby is crying continuously as the woman relates her story. She is from Kurgan-Tyube. She waited until the last moment, thinking that people will reflect and stop shooting each other, but when a neighbor's house was burned down she decided to flee together with everyone, and did not succeed. Her home was burned, her mother and brother were killed. She and the baby miraculously survived and got to Dushanbe.

One other woman, after learning that I was from Russia, threw herself at me tearfully and said something in the local language with hatred: I could make out only two words: tanks and the CIS. A Tajik colleague translated for me what the woman said. Several dozen of them fled from the tanks through cotton fields. It was unimportant what tanks these were—those that were stolen from the Kurgan-Tyube Russian regiment or those in which Russian soldiers were sitting. We saw what was most important, the woman continued. People were pursuing us with tanks that only the Russian troops could have. Of course, it is most likely that the tanks were not being driven by Russian soldiers, but whom can you tell this to now? To the crowd of refugees from Kurgan-Tyube that assembled on Monday at the Supreme Soviet building with the demand that Russian troops be withdrawn from the city? To those exhausted people, refugees from the fire of a fratricidal war in which the Russian Army became a willing or unwilling participant? The death of

loved ones has probably deprived them of the ability to understand and analyze who is right and who is wrong for a long time.

People are fleeing not only from Kurgan-Tyube, Nurek, and other areas of combat operations. They are also fleeing from Kulyab—for political reasons. Among the Kulyabs there are many members of the Democratic Party, the People's Movement "Rastokhez," and the Islamic Revival Party against whom Sangak groups in Kurgan-Tyube are coming out. So, Kulyabs are fighting against Kulyabs who not long ago were good neighbors. There are many political refugees in Dushanbe now. There, in Kulyab, their homes have been burned, and they themselves are anticipating persecution on the part of the Sangak supporters. One such political refugee agreed to talk with me, but when he saw the dictaphone, he refused to talk any further: "The other day here in Dushanbe our comrade talked on the radio, and after his appearance his whole family was slaughtered in Kulyab. I do not want this to happen to mine."

A new party of refugees gathered in No. 19—a recent clash in Kurgan-Tyube brought the results. Once again the arrivals are awaiting their neighbors and friends—they should arrive very soon. Endless human streams are heading toward Dushanbe.

#### **Blockaded Russian Kulyabs Turn to Yeltsin**

9JL5001SC Moscow ROSSIYSKIYE VESTI in Russian 13 Oct 92 p 1

[Unattributed article: "Tajikistan: Russians Ask for Help"]

[Text] Representatives of Kulyab Oblast are ready to go to Moscow.

The position of the people in Tajikistan's Kulyab Oblast remains extremely difficult. The oblast, where 800,000 persons live and where there are more than 120,000 refugees from Kurgan-Tyube and the Nurek hydroelectric power station, has only 41 tonnes of flour left. Cases have been reported of death from starvation among the refugees.

A paradoxical situation has developed around the Russian troops stationed in Tajikistan. On the one hand, persistent appeals can be heard, including from government offices, for an immediate withdrawal of the foreign army from a sovereign state, and on the other hand, the Tajik leadership has appealed for help to the command element of the Russian 201st Motorized Infantry Division with a request to send additional subunits into the zone of the conflict to secure strategic installations. Among these are the Chormazak, Shar-Shar, and Zardolu passes, which are situated on the Dushanbe-Kulyab highway, and also the state bank in the administrative center of Kurgan-Tyube Oblast, against which several not unsuccessful attacks were conducted recently.

The events occurring in the south of Tajikistan generated a rally in the Kulyab oblast center. Russians, Ukrainians, Belarusians, Germans, Koreans, and Tatars appealed to President of Russia Boris Yeltsin with a request to leave the units of the 201st Motorized Infantry Division of Russian troops at their former deployment locations. That is, in the south of Tajikistan.

This is associated with the fact that the destabilization of the situation has reached the critical point when the situation becomes out of control. 46-year-old Vladimir Petrov, a representative of the Russian-speaking community in Kulyab, told an ITAR-TASS correspondent. He emphasized that for many Russians there is nowhere to go and no money to finance their leaving Tajikistan.

Rally participants said that distorted information is coming out on republic radio and television, hysteria is being supercharged, and the Kulyabs have been deprived of the protection of the law. The humanitarian assistance being sent from the Commonwealth and other countries has been delayed, but now it is not arriving at all because of the blockade.

The rally participants have requested that Boris Yeltsin take note of the calamitous position of the residents of Kulyab Oblast. They are petitioning for help, declaring that if it does not come they will have only one way out—to take up arms and join the Kulyab people's liberation guards.

The rally participants collected money to send their representatives to Moscow to submit this petition to the president of Russia.

#### **Potential for Further Conflict Evaluated**

9JL500164 Moscow LITERATURNAYA GAZETA in Russian No. 42, 14 Oct 92 p 2

[Article by Rustam Shukurov: "The Conflict in Tajikistan Could Spread from Pakistan to Siberia"]

[Text] Last week did not bring any important changes in the extremely difficult political situation in Tajikistan.

The stalemate situation in the republic is the result of the lack of effective levers of administration under civil war conditions in the government (headed by A. Iskandarov, who is filling the function of president). A leader possessing personal supraparty authority on a general national scale to replace President Nabiiev, who was forced into retirement a month ago, has not appeared. Until now the authorities have not been able to establish their own full-fledged army, which would be able to play the role of a significant force in their efforts to stop the bloodshed. Given the total militarization of the political parties (from the uncompromising communists to the Islamists), the government remains perhaps the least influential partner. The interests of the authorities on the Kurgan-Tyube front are still being defended by illegal formations of an Islamic-Democratic coloration.

At the same time, the central government is not in a condition to stop the pumping of arms and ammunition, which is feeding the conflict, into the hands of hostile groups from troops of the CIS and Russia. Numerous reports appeared as early as the beginning of summer that procommunist insurgents from Kulyab are not only buying up stolen weapons from servicemen but are also receiving them free of charge from interested military structures of the CIS and Russia. The latest evidence of the involvement of CIS troops in the internal Tajik conflict was the sharp negative reaction of M. Ashurov, commander of the 201st Division, to Moscow's intention to withdraw units subordinate to it from the republic. We note in this connection that two-thirds of the personnel of the division are Tajik.

While remaining in the republic, the army constitutes a powerful catalyst of the conflict, but at the same time it is impossible to demand its immediate withdrawal because it alone is capable of defending very important strategic installations from the rebels (the Nurek Hydroelectric Power Station and a number of mountain passes that protect Dushanbe), and also of controlling the Tajik-Afghan border.

The hope of some bridling of the civil war appeared only as a result of the mediation efforts of representatives of Central Asia, Kazakhstan, and Armenia, headed by Kyrgyzstan Vice President Kulov, who visited Tajikistan

in the first half of last week. As a result of negotiations with the leaders of the belligerents it was decided to disband the detachments fighting in Kurgan-Tyube Oblast with Kyrgyz and, possibly, Kazakh battalions under the aegis of the CIS. The heads of government of the CIS approved this agreement at the Bishkek meeting.

Nevertheless, a quick and fundamental improvement in the situation in the republic can hardly be expected. On 8 October, right after the conclusion of the negotiations with the peacemakers, Sangak Safarov, the military leader of rebellious Kulyab, asserted his uncompromising position in a television interview by continuing to demand the unconditional dissolution of the central government and the return to power of President Nabiyev.

The fall in prestige of the Russian troops and units of the Commonwealth in Tajikistan is moving to a critical point. The obvious lack of sensible control over their activities in the republic on the part of official Moscow structures, which is giving rise to anti-army feelings, threatens to create additional difficulties for the Russian troops on the Tajik-Afghan border, which now divides two particularly conflicting areas. Destruction of this barrier (under conditions of an escalation of the armed struggle on both sides of it) could lead to catastrophic and absolutely unpredictable consequences for all of Central Asia from Pakistan to Siberia.

## GEORGIA

### Shevardnadze Addresses UN General Assembly

93US00204 Moscow NEZAVISIMAYA GAZETA  
in Russian 6 Oct 92 pp 1, 5

[("Speech by Eduard Shevardnadze, chairman of the State Council of the Republic of Georgia, at UN General Assembly 47th Session: 'The Threat of Fundamentalism Is Too Serious'")]

[Text] All the troubles and contradictions which the empire stored in its genetic code and constantly incited and which even now, following its demise, continue to shake us have unfathomably come together in a small particle of the earth going by the name of Georgia, which history has crucified on a geopolitical cross. All that about which I thought and spoke, foresaw and predicted has come to be in the fate of Georgia. And one did not have to be a clairvoyant here—it was sufficient for this to know the system one was dealing with.

The system was doomed. An attempt was made in August 1991 to save it by methods characteristic of it—a secret conspiracy, the flouting of the law, and the use of force.

I warned repeatedly about the possibility of a coup and totalitarian revanche. Had the conclusions been drawn from these warnings, we would be dealing not with the chaotic collapse of a vast country but with a relatively painless and manageable transition to a new condition and to the formation of new states. The swiftness of the death throes and the pace of the disintegration proved unexpected for the world community. It was caught unawares and is now seeing how the exposed roots are producing new shoots of violence and catastrophes.

Georgia's example is indicative.

A profound social and economic crisis is in evidence here. The collapse of the empire was accompanied here by the emergence of a dictatorial regime. Several internal conflicts were incited here, and separatism is threatening the small country with ruptures and the comminution of its historical territory into dwarf states. Sabotage, terror, and mass abduction have reigned here.

And, finally, the danger of the cross-breeding of the current internal conflicts and conflicts in neighboring states and their growth into regional and then continental wars on an interethnic and religious basis is greater here than anywhere.

I would recall that, like other countries, Georgia was incorporated in the Union by military force. A state-political and administrative-territorial structure which bore within itself the embryos of discontent, muffled hostility, and potential confrontation within the republics and between them was formed.

Delayed-action bombs set to go off in our future were planted. As long as the power of ideology and repressive

coercion bound this heterogeneous community together, the bombs did not go off. But as soon as this power was removed, they exploded.

Today a blast wave of immense power is devastating entire states.

This is threatening Georgia also.

The history of its struggle for statehood runs to several centuries. For several centuries this struggle was conducted in a single channel with the formation of a distinctive national culture and defense of the faith and the language. In 337 of our era, Christianity, as the state religion, was giving its blessing to the country's impulse to unity within what were for it common borders.

By the 11th-12th centuries Georgia, having become a powerful state of Anterior Asia, was creating centers of its culture beyond its borders also—in Palestine and Greece.

The vicissitudes of historical destiny deprived it of statehood. The first occasion was when Georgia was incorporated in the Russian Empire, and the second time, in 1921, when, having become a democratic republic, it was subjected to the armed intervention of Bolshevism forcibly introducing it to the unitary state.

It is now once again independent, but this is a fragile and defenseless independence. The building of the new statehood is proceeding with difficulty and is being squeezed by the dangers of civil war and the breakup of the country.

The portrait of Georgia would be incomplete without one very essential feature. Drawn since time immemorial into the movement of peoples, ideas, and cultures, it affirmed racial and religious tolerance as a canon of its being. Forced to do battle with powerful outside forces, it has suffered neither from xenophobia nor religious fanaticism. In its capital, Tbilisi, within an area of one square kilometer, you can see a Georgian Orthodox church, an Armenian-Gregorian temple, a Muslim mosque, a Jewish synagogue, and a Lutheran church. Christian since the fourth century, Georgia became acquainted in some of its important historical provinces with Islam also. And there was no enmity and strife between them, just as no one was denied the right to live according to his own ideas and traditions. Unfortunately for all of us, this unity has on the steepest routes of history been subjected to devastating assaults from outside and from within.

I consider it my duty to call your attention to the Caucasus region. It is here that a serious new center of international tension is emerging now also.

This source of new upheavals is located in the channel of a trend characteristic of the modern world geopolitical order—the replacement of global opposition by confrontation at the regional level. This confrontation has assumed the nature of large-scale armed conflicts, such

as we see in certain countries of Europe, in the Dniester region, with us here in Georgia, and in the Transcaucasus and in Central Asia.

The vacuum of ideas cannot tolerate its own emptiness. We should long ago have reflected on and analyzed what is happening on the vast expanse from Bosnia to Tajikistan, the Caucasus included. What we are dealing with and why. Commonsensical politicians, statesmen, and ordinary citizens, be they Christians or Muslims, living in this space or outside it, are duty bound to stop this dangerous process. The threat of large-scale conflicts ignited by fundamentalism of any origin is too serious to be ignored. It is all the more dangerous when fanaticism is used by fundamentalism of a Bolshevik persuasion.

While born of specific factors, the new conflicts have certain common characteristics. This, in particular: They are all arising and developing against the background of the simultaneous or individual action of several factors.

These are national-ethnic variegation, a diversity of religions and creeds, the socioeconomic inequality of the peoples, and a burdensome historical and political past.

To all these factors common to other regions the Caucasus adds the sharp distinctiveness of geopolitical situation. Located at the point of direct contact of powerful external geopolitical forces, it has since time immemorial been a buffer zone between South and North and Christianity and Islam and an arena of the realization of their aspirations and interests.

With the disintegration of the Soviet Union a space open for new rivalry has formed in the region. By virtue of their political, economic and military weakness, the new states of the Caucasus are incapable of filling this vacuum and creating dependable guarantees of their security.

Aside from the outside forces, various internal destructive groupings are endeavoring to avail themselves of it under the cover of nationalist, pseudo-patriotic, and separatist and, of late, religious slogans pursuing selfish political goals.

All this has made itself felt directly or in veiled form in the actions of the so-called Confederation of Mountain Peoples of the Caucasus, which has encroached on the sovereignty, territorial integrity, and the borders of the Republic of Georgia. Acting against the wishes of the North Caucasus peoples and their legitimately elected leaders, this illegal, nonstate, avowedly terrorist, essentially militarized organization has declared our country and its capital a disaster zone, calling for the use of all means, mass terror included. It is sending in the guise of volunteers mercenaries and terrorist killers across our borders.

The flame of war, already threatening more than just Georgia, is blazing up before our eyes.

The conclusion is unequivocal: Compared with the other "flash points" in the postcommunist world, the Caucasus has a higher potential for conflict and for this reason represents a great danger for international peace and security.

Faced with the complex interaction of internal and external forces, we are endeavoring to pursue an active balanced policy. Within the country, a policy of democratic transformations, national reconciliation, and the peaceful settlement of conflicts, outside it, the development of friendly relations with all countries of the region and cooperation with the world community.

Sincere regards to all who had faith in us and helped us join the United Nations, the Conference on Security and Cooperation in Europe, and other international and regional organizations. Thanks to all who have recognized our independence and established diplomatic relations with us.

We are grateful to our historical neighbors—Turkey, with which we have concluded a friendship, cooperation, and good-neighbor treaty, and Iran, good contacts with which are developing to the direct benefit of both countries.

Our centuries-old ties to the peoples of the Transcaucasus—Armenia and Azerbaijan—the republics of the North Caucasus, and Ukraine afford us an excellent basis for close interaction in the interests of our countries.

Friendly relations with Russia are of particular significance for us.

It helped us create a mechanism of the settlement of the Georgian-Ossetian conflict. Having twice affirmed the principle of the territorial integrity of our state and the inviolability of its borders, Russia has joined the process of a peaceful settlement of another conflict—in Abkhazia.

A stable, prosperous, democratic Russia is a factor of world scale and significance. The threat to it emanating from totalitarian revanche is a threat to all of us. In this conspiracy against Georgia, which is now being revealed in its entirety, Russian red-brown reactionaries are acting in single formation with extreme fundamentalism, national fascism, and separatism.

The world should know this. The world is duty bound to assist the strengthening of a stable Russia and thereby us and itself.

Such today are the ingredients of our political being. Proceeding from them, we are persistently seeking the creation of a Transcaucasus mechanism of consultations and concordance.

We are proposing the commencement of the formation of a system of collective secretary in the Black Sea region. We support new institutions of the CSCE which aim to prevent conflicts and defend the rights of national

minorities. We are throwing open wide the doors to European and world fact-finding missions.

But today this is no longer sufficient. The end of the "cold war" has put on the agenda the need for the building of an efficient system of global security.

Events are developing at passing speed. The European process is lagging behind them, being considerably late in responding to the challenge of a time of change. The United Nations also has been very much late in responding to the appreciable changes in various regions of the world.

We welcome the bold initiatives of Mr. Secretary General Boutros Ghali aimed at imparting to the organization greater mobility and a capacity for responding rapidly to the requirements of the times.

Reforms are not to be feared when they are so necessary. In our view, in two related spheres, primarily: peace-keeping and the building of new independent states. Permit me in this connection to express a number of proposals.

The first concerns the formation of a global system for monitoring, preventing, and settling domestic conflicts.

Special UN observers at "flash points," regional offices, and missions and information centers would help us obtain a clear picture and formulate specific decisions.

Such mechanisms should be based directly in the conflict region. In our example, in the Caucasus. The UN mission in Tbilisi could serve as its basis. We also propose a broadening of the current mandate of the CSCE high commissioner for national minorities in order that he may, if need be, notify the secretary general and our organization's Human Rights Commission.

There could be similar institutions with the same powers in other regional organizations also.

The United Nations needs a special body to collect and process data on potential ethnic conflicts and formulate conclusions and recommendations. Its functions would also include the forecasting of conflict situations in the early phase of their generation.

The International Court could be enlisted in the study of conflicts also.

We need to take a new look at the role and possibilities of the Security Council. We have raised repeatedly here the question of a stimulation of the work of the Military Staff Committee. Now, when there is no "cold war" but there is a growing multitude of "flash points," the Security Council has to have this or some other similar structure enabling it to exercise its statutory functions in full measure.

The UN members should compulsorily notify the Security Council of impending conflicts. Evasion of this obligation would have to entail sanctions. We would

undertake to present the United Nations and its Security Council with annual reports on the state of affairs in the sphere of protection of human rights, national minorities, and crisis situations which could lead to serious complications in the country and the region.

There is one further cutting edge to this problem—information. Rivalry is leaping out into newspaper columns and radio and television air time, and the side which has the greater technological possibilities and monetary resources and broader access to the mass media and their employees wins. Public opinion is being shaped one-sidedly and spontaneously, but this is only half the problem.

The main problem is that this guerrilla warfare in the press is nurturing the soil of the conflicts and making their settlement more complicated.

We see as the solution the creation of centers disseminating objective information under the aegis of international organizations.

The second is the problem of refugees. Ethnic conflicts have multiplied their number many times over. No one can now give precise figures. No one knows how much cash is needed for aid to the refugees and what should be done first and foremost to rule out new conflicts after their return to their places of residence.

A system of observers is needed here also. The organization of assistance of larger scale than at present capable not only of material support but also of imparting greater manageability to the process is necessary. We need, in our view, to thoroughly reform the entire work of the office of the High Commissioner for Refugees.

The third is general and all-embracing control of the proliferation of weapons. Ethnic-national mafia clans, which took shape in the depths of the totalitarian system, are accumulating the colossal resources needed to purchase arms and suborn the military for the purpose of enlisting it in participation in combat operations and the secret handover of equipment to illegal formations.

The national forces of security and law and order of the young independent states are failing to cope with this epidemic of an unchecked arms race. An international rapid-response force, some "blue beret" Interpol, an independent arms control agency, and the introduction of regional arms registers are essential.

The fourth is a UN rapid-response force in the sphere of international-legal thinking and doctrinal-theoretical developments.

The traditional system of normative reference points has lagged hopelessly behind the rapid geopolitical changes. The world has encountered the arbitrary one-sided interpretation of a whole number of internationally recognized principles. The arbitrary, "wild" sovereignization, which has led in practice to an encroachment on states' territorial integrity and the permanency of their borders

and to the conversion of large groups of the populace into second-class citizens, has also been or is becoming the cause of many bloody clashes.

Today all international enactments reject any activity aimed against the territorial integrity and the permanency of the borders of a sovereign state.

Unfortunately, combining with extremism, separatism is pulling down not only states but legal systems also. The ringleaders of separatist movements are manipulating the norms, making them an anomaly.

Unless extremist separatism is stopped, fragmentation and disintegration and the carryover of anarchy and chaos into the 21st century await the world.

It is impermissible to make absolutes of some principles at the expense of others. It is criminal for some people to seek self-determination, not noticing, as it were, that peoples which it is impossible to remove physically from there have lived side by side with them on a common territory for centuries.

Any aspiration and any claim, norm, and category must be checked against the human dimensions of policy with its priority of equal rights for everyone, regardless of affiliation to this nation or the other and ethnic, language, or religious group. The rights not only of national minorities but also citizens representing the majority require protection in the light of this approach.

Otherwise we could encounter a modernized form of apartheid and ethnic dictatorship, as with us in the conflict zone—Abkhazia, where a minority has acquired an opportunity to dictate its will to the majority.

How could this have happened? We have before us a classical example of selfish manipulation of the law. In accordance with discriminatory suffrage, the electorate of one nationality constituting 18 percent of the populace sends to the parliament of the Abkhaz Autonomous Republic more deputies than the electorate of another, which in Abkhazia constitutes half its population. The rights of other national groups have been infringed also.

Three fewer votes are required to elect an Abkhaz deputy than to elect a Georgian deputy.

Such legal extremism is resulting in national and political extremism and leading to a sharp confrontation. Reflecting the mood of the extremist part of the minority, the leading stratum is exercising diktat of the will and pleading the case of the wresting away from Georgia of its primordial territory.

Separatism is unreceptive to dialogue and compromise—we know this from our own experience. Separatism has no desire for negotiations, rejects methods of rational policy, and stymies the fulfillment of agreements. It substitutes concepts, calling aggression and occupation the movement of army formations within our own territory.

What is to be done? After all, Georgians and Abkhaz have lived and continue to live and work together in Georgia, on Georgian soil.

The General Assembly will very shortly examine the draft Declaration of the Rights of National Minorities. We will support it, as we supported the corresponding decisions of the CSCE. But I would like to repeat once again that any such instrument should contain a clause also on the minorities' share of responsibility for the maintenance of stability and peace on the territory where they live.

It is time also to devise more precise criteria of the right of legal personality for self-determination and introduce in practice prompt independent expert appraisal of instances of the arbitrary interpretation and application of this right.

Fifth, none of the points set forth above will work in full measure unless more efficient mechanisms of economic support for the new democracies are created. This statement does not shake our gratitude to European and world financial and economic institutions, thanks to which we are still alive. But a fact is a fact: the economic system in the republics of the former Union is close to catastrophe...

We give the warning that if things go on this way, a social explosion of tremendous force is inevitable. A change of values of orientation—from democracy to the power of a strong hand—is inevitable. The world would have to pay for this a higher price than currently...

It is perfectly obvious that international organizations, the United Nations primarily, should take this point into account. It is hard to speak of world economic stability, a single world space, and security in the absence and without the participation of the world's leading powers. It is essential that the Security Council really influence the state of affairs. Earlier I was opposed to an expansion of its permanent members. Now, following the disintegration of the Soviet Union, when there has been an abrupt change in the alignment of forces, concern needs to be displayed for a composition of permanent members which increases the extent of the Security Council's influence on the world economic process.

We need to comprehend anew the role of such economic giants as Germany and Japan.

I would note in passing that the forecasts concerning some U.S. claims to some special role under the new conditions permitting it to dictate its will to the world have not been borne out. The balanced foreign policy of this great country has not conflicted with the interests of other states and has, ultimately, contributed to preservation of the balance in favor of peace and stability.

We would like to hope that the United States will remain a guarantor of tranquillity, order, and equilibrium under the new, extremely complex conditions.

The United Nations cannot remain aloof from material support for the new democracies. A rapid-response force—economic—is needed here also. It is entirely within the capacity of the United Nations to coordinate more efficiently on a new basis the actions of the World Bank, the International Monetary Fund, and other regional and international institutions in order to contribute more fully to the success of economic reforms in the new states.

Sixth, we are simply duty bound to introduce in international law a provision concerning the individual responsibility of persons inciting mass unrest, political brutality, the taking of hostages, acts of terrorism, and various blockades. Our troubled times have spawned such people. Pygmies have raised a rebellion against humanity.

Seventh and finally, the last, but by no means least, proposal. All that has been said above attests that our common responsibility for peace and security requires the concordance and coordination of common efforts in the political, economic, military, financial, and environmental spheres. And control of the processes in these spheres at four interdependent levels. At the intrastate, regional, superregional, and world levels. The first level will only strengthen if the United Nations is able to find forms of support for the formation of the new states. The second is possible given agreement on the unity or proximity of interests of the states involved in regional cooperation. The basis of the third level could be such organizations as the CSCE, the OAU, the OAS, the alliance of Black Sea countries, and others. The fourth is the creation of a coordinating system of world interaction, in which the principal coordinator would be the United Nations and its corresponding institutions and structures....

Now, when I speak on behalf of a small and weak country, I am aware of how the height of this rostrum has grown for me and how life-saving it is for my homeland.

My present ascent there contains considerable risk. Things with us at home are very unfortunate. Charges of hatred aimed at the demolition of our policy of democratic creation and the building of an honest, truthful state which is open to the world are exploding all too often in Georgia. All the more can this not be ruled out today, on the threshold of parliamentary elections, when the people of the Republic of Georgia are to either approve or reject our policy of democracy and freedom.

Nonetheless, I have come to ensure that Georgia not lose what is now its sole opportunity to tell the world of its hopes and aspirations, affirm the truth, and refute the lies.

I have come to once again confirm our fidelity to the word we gave the world community. What of it that the scale has diminished and the horizons narrowed? I think, speak, and act according to the same principles and standards which I championed here in all past years....

### National Bank Denies Receiving Russian Credit

AU1710144692 Tbilisi SVOBODNAYA GRUZIYA  
in Russian 23 Sep 92 p 4

[Report by Vladimir Gogidze under rubric "According to Reports From Correspondents and Information Agencies": "Denial by the National Bank"]

[Text] Nugzar Pipiya, vice-president of the Georgian National Bank, has denied a statement by Petr Filippov, chairman of the Russian parliament subcommittee for privatization, cochairman of the Republican Party, according to which the Central Bank had granted Georgia credit to the value of 20 billion [rubles] in July and August. N. Pipiya said: "Indeed, according to an interstate agreement concluded long before the appointment of Viktor Gerashchenko to the post of acting chairman of the board of the Russian Federation Central Bank, Georgia, just like the other former Union republics, has a correspondent [korrespondentskiy] account in the Central Bank. It is used for mutual payments between the two states. We have received no credit at all from V. Gerashchenko and Russia in general."

The information given by the vice-president of the National Bank was confirmed in the Ministry of Finance, to which it was added that the total trade turnover between Russia and Georgia in August amounted to only 1 billion rubles.

### Chechnya's Dudayev on Russia, Georgia

AU1610114392 Tbilisi SVOBODNAYA GRUZIYA  
in Russian 19 Sep 92 p 2

[Interview with Chechnya President Dzhokhar Dudayev by IPRINDA correspondents Ketevan Bokhua, Konstantin Rizhamadze, and Nikolay Mamulashvili in Groznyi, date not given: "The Shady Designs of Chechnya's President"; all questions published in boldface]

[Text] As is known, a conference entitled "The Common Caucasian Home—'Roundtable'" was held in the capital of Chechnya. Correspondents from the IPRINDA agency were there and they managed to obtain an interview with Chechnya's President Dzhokhar Dudayev. Here, for SVOBODNAYA GRUZIYA readers, is this interview in a slightly abridged form.

[IPRINDA] Mr. Dudayev, what do you view as being the results of the work of the "Common Caucasian Home—'Roundtable'" conference?

[Dudayev] In my view, this is the greatest achievement in the entire history of the Caucasus. Never before have the representatives of all peoples of the Caucasian republics sat down together at the negotiating table to assess their activities. The peoples of the Caucasus have realized that they have to resolve their fate only within the Caucasus itself and without the interference of a "third" force.

[IPRINDA] Only the representatives of sociopolitical and religious organizations took part in the work of the conference. Why is that?

[Dudayev] Nevertheless, a high-ranking government delegation from Azerbaijan did participate. From Georgia we had the lawful president and members of parliament. There is no other government in Georgia today. Members of parliament from the North Caucasian republics also took part. As regards the other states, we did not count on the heads of Dagestan and Kabardino-Balkaria sitting at the negotiating table as this is an obsolete apparatus, one not capable of resolving future questions.

One can already say today that the Caucasian home has a realistic future and the first step has already been taken. However, this forum did not suit Russia and Shevardnadze. This is shown by the attempt to erase it from people's memories and attach no significance to it in order to prevent it from receiving any publicity. This is the first sign that the forum really was a success.

[IPRINDA] Do you know that the Russian Prosecutor's Office has instigated criminal proceedings against the Confederation of Mountain Peoples of the Caucasus [CMPC]?

[Dudayev] For some reason, Russia's Procurator's Office did not instigate criminal proceedings during the two years that this sociopolitical institute of power was being formed. It is very good that Russia's Procurator's Office is raising such questions; this can already be put down to its impotence. Russia's leadership is resorting to the most extreme steps. During the work of the conference, Russia's leadership sent a telegram informing us that they had declared an aerial blockade to add to the financial and economic blockades imposed earlier. According to which law? There is currently no legitimate power in the Russian leadership and in Russia itself. Therefore, until they put their own state in order, they have no legal authority to judge anyone else.

[IPRINDA] To what extent is the introduction of CMPC troops into Abkhazia legally justified?

[Dudayev] Is some sort of Georgian State Council legally justified? What is this State Council? From where did it appear? Who elected it? What kind of state mechanism is it? According to what law are armed bands invading the territory of Abkhazia and pillaging and robbing and causing equal suffering to both Georgians and other peoples living there? My position regarding the actions of the State Council is unequivocal but it does not apply in any way to the Georgian people. In my view, the Georgian people are now in need of greater help than the Abkhaz against whom aggression has been committed. I feel sincerely sorry for the Georgian people who have served as an example for the whole former Union in their aspiration toward democracy, philanthropy, and humaneness. They have today found themselves under the most brutal knuckle of bandit groupings who have come to power with the help of weapons. Can any citizen, in such a situation, react calmly to the fact that

this banditism has already turned into mass murder? In such a situation, I view the actions of the CMPC to be justified both from the moral and the legal point of view.

[IPRINDA] Mr. Dzhokhar, a year has now passed since Chechnya declared its independence. What has changed in the life of the republic during this time?

[Dudayev] We have passed through a whole epoch during this year. We have had to experience everything: provocations, violence, and armed terror. The entire arsenal of the office of the Russian empire was tried out on us as if we were rabbits. We have gone through hell on earth. However, the most important thing is that we have acquired our independence and for this it is worth going through hell a thousand times. We have survived this year without bloodshed, the ignition of national hysteria, and religious conflict.

[IPRINDA] As it has become known at the conference, Russia has declared an aerial blockade against Chechnya. How do you intend to regulate political questions with Russia?

[Dudayev] It is impossible to enter into a legal political dialogue with Russia. To this day, it has not been able to forgive us for having chosen generally accepted international methods of democracy for the basis of our political struggle. Incidentally, we reached complete mutual understanding with the Georgian congress; we exchanged experiences and were guided in our work exclusively by democratic principles. Who was not sent to us: delegations, commissions, and groups of experts from all corners of the earth! They tried to find even the slightest flaw in our struggle. However, they did not succeed. When we embarked upon the path of lawful struggle a whole series of provocations, violence, terrorism, and armed escalation erupted. Now Shevardnadze has joined all this by inciting Georgia to all manner of provocations. There are facts of oppression against our tourists. Take for example that helicopter flight that was finally granted to us to transport cheese from the mountainous regions. It crashed. The crew was arrested, tortured, and they even killed one person. The remainder were returned, their bodies covered in bruises and other marks from beatings.

[IPRINDA] How do you view future relations between Georgia and Chechnya and in what way is Gamsakhurdia's presence in Groznyi influencing this?

[Dudayev] Zviad Gamsakhurdia's presence in Groznyi is having an exclusively fruitful influence upon mutual relations between both our peoples.

I am a witness to the fact that dozens of the finest sons of Georgia are coming to Zviad and asking him why he does not issue a command and invoke the people. I respect him greatly precisely because, in order to avoid bloodshed, he has invoked neither the people nor his electorate. It will not be long before such actions are highly appraised and thought of but, in the meantime,

the Georgian people are deprived of the opportunity to comprehend the situation, as arbitrariness and panic reign in the country. Georgia is on the verge of complete collapse: Abkhazia on one side, South Ossetia on the other, to be followed soon by Adzharia as well; the Armenians and Azeris will also not remain on the sidelines. What will be left of Georgia if its western part will not accept the existing regime? Where is the current

leadership steering the country as it tries to gather it together with the Russian bayonet?

There will be a sea of blood although this could be rectified in a matter of days. All the political leaders know this. However, due to vanity or fear or some kind of complex, they are unable to comprehend the urgency of things as they stand.

## ESTONIA

### Relations With Russia Take a Turn

93UN0051A Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 6 Oct 92 p 3

[Article by G. Sapozhnikova, KOMSOMOLSKAYA PRAVDA correspondent: "Autumn Double-Dealing: New Turn of Events in Russian-Estonian Relations"]

[Text] Autumn in Estonia is quite different than in Russia.

Tallinn still smells of roses, not poverty. A single Estonian *kroon*, like a single ruble, will buy virtually nothing—just a newspaper or a rose, whichever you prefer. The sweet taste of overripe bananas and grilled chicken, the plastic bags bearing store logos in brand-name stores, the relatively full shelves and the numerous price reductions and sales: Tallinn is becoming a city for the rich. The everyday nationalism in stores has disappeared without a trace. Nowadays you can speak any language, even Swahili, and they will understand you and respond—just as long as you buy something. Going into stores in Estonia has become almost as disgusting as going into stores in the West. You go in because there is nothing else to do, just to look, and in both places some salesman immediately asks: "Can I help you?"

True, the produce situation is not very good—still not up to the level it was under the communists. Soon it will probably get even worse, because the Russian government intends to impose economic sanctions on Estonia which "will not affect the interests of ordinary Estonian citizens." As an example of those sanctions Russian government press secretary Gennadiy Shipitko mentioned Russian refusal to accept Estonian agricultural products. Now the Estonian people's age-old dream will finally come true—they will no longer have to feed their neighbor to the east.

The Russian side is behaving in an interesting manner all around. First it sets a deadline for verification of respect for the rights of ethnic minorities in Estonia—the elections slated for 20 September. Then, on 7 September, it concludes a free trade agreement with Estonia—perhaps forgetting its previous intention? For two years prior to this time it has been signing a massive number of agreements with Estonia and joyously agreeing with the Estonian side's reasoning, i.e. that all those who are dissatisfied with the new Estonian democracy are not Russians, they are Soviets. The comrades do not understand. Then suddenly Russia remembers that it has forgotten its ethnic offspring scattered around the national periphery, takes a diametrically opposed stance and begins actively defending its ethnic kinsmen. Too late, brothers: thanks to efforts by the Estonian side European public opinion is already formed. And the world, despite Russia's desperate gestures, readily agrees: no, the "guest workers" should not be given the right to vote. It was recently reported that Europe has decided to fight illegal immigration, and lo and behold—

Estonia is already going around acting as if it were quietly engaged in repatriation of its illegal immigrants, i.e. everyone who arrived in the republic after 1940. It would be interesting—if it does in fact do that—to find out if Yeltsin recalls how in January 1991 during a visit to Tallinn he refused to meet with the local Russian population. Or how he printed handbills in Estonia at a time when he was forbidden to do so in Russia. Did Estonian minister of foreign affairs Jaan Manitski kindly remind the world community of that at a recent session of the U.N. General Assembly?

The Russian-Estonian "cold war" is becoming international in nature. Formerly the two ministries of foreign affairs merely "exchanged shots" via diplomatic notes, but now they are operating out in the open. All Kozyrev and his team had to do was raise the issue of human rights violations before the U.N., and Manitski immediately responded with a counter-speech, saying he supposedly could not understand why Kozyrev was demanding that voting rights be given to citizens of other states. And that the term "ethnic minority" in no way extends to foreign workers and colonists. So that is how it is. According to him, Russia's firm stance "is dictated by a desire to preserve its military influence in Estonia at all costs. That is the purpose of the international campaign demanding Estonian citizenship for citizens of Russia, so that Russia will retain the right to act as their patron." To which Kozyrev retorted just before flying out of New York: "Our Baltic neighbors are resorting to the old Soviet tactic of crying 'you're one, too' instead of discussing existing problems."

Truly amazing metamorphoses. I recall that about three years ago the most derogatory word in Estonia was "Kremlin," the situation was depicted like this: in Russia there were a handful of sinister forces and a sea of healthy ones (i.e. the ones that supported Estonia), and they were fighting among themselves, and the healthy ones would prevail. Now it is the same picture, except that the formerly healthy forces have somehow become sinister. But now new, abstract healthy forces are on Estonia's side, and they are about to begin correcting an historical injustice. That is, they are going to immediately withdraw the occupation troops, recognize the Tartu Peace Treaty (and along with it the border which includes the ancient Estonian cities of Izborsk, Pechory and Ivan-gorod) and facilitate the voluntary return of Russia's citizens to their homeland.

The official lists of election victors were finally published a few days ago. Incidentally, they can only be termed "victors" very provisionally, since only 17 candidates out of 101 garnered enough votes to be elected. The rest got into parliament with the help of the "redirected" votes of their fellow party members, because Estonian election law is oriented toward team play. As a result there are people in parliament who got only 50-60 votes, while some candidates who got 3,000 votes or more did not make it. Under this system none of the independent candidates could get elected. One pleasant

surprise was the victory of the royalist party, which unites many of Estonia's best-known humorists under its banner.

It will be pleasant to visit the Estonian State Assembly, because our newspaper has many acquaintances there: writer Jaan Kross, poet Jaan Kaplinski and UFO enthusiast Tunne Kelam. Pianist Vardo Rumessen was one who this past winter, when there was nothing at all to eat in the republic, appealed for an end to the sale of Russian bread. Marg Nutt is head of the Estonian delegation to the Conference on Security and Cooperation in Europe. He is the one who has attempted to prove to the world that Russians here are the same as Turks living in Germany. Kalle Kulbok, the royalist leader, is an inspector with the Official Language Department. Back in the spring he demonstratively ripped down a sign reading "Bistro" from a Swiss cafe and fervently demanded that the owners write the word Estonian-style, i.e. with a double "o." Pastor Hallaste is the author of the idea of making foreigners in both East and West equal. Remember how in early June the Estonian Republic attempted to demand \$30 from each CIS citizen for an entry visa just as it does from Americans? And, finally, there is Jaanus Raidal, the youthful mayor of the city of Otepää, who is preparing to destroy Russia, China and Great Britain, build an air bridge between Grozny and Tartu, and reorient Otepää's industry toward weapons production.

Today Jaanus Raidal, as a full-fledged member of the Estonian parliament, is declaring political war on Russia. Since some Russian politicians have mentioned the fact that they do not recognize the new Estonian parliament because one-third of the republic's population did not participate in the election, Raidal has mentioned in reply that he does not recognize the Russian parliament, either. His logic is that since it was elected while the Soviet Union still existed, the present membership of parliament does not reflect reality, specifically the confederative structure of Russia, the fact of Chechnya's and Tatarstan's independence and small peoples' striving for autonomy. Jaanus, as a figure of some importance in politics, is declaring that he does not recognize a parliament that is out of touch with the people, that the Estonian delegation will not go to Moscow for negotiations any more because St. Petersburg is Russia's capital, and that henceforth Estonia will reach agreements with each oblast capital and each people individually and will only deign to direct its attention to Moscow and the Russian parliament after new elections have been held.

In view of the highly eccentric composition of the new Estonian representative organ, and knowing Jaanus as I do, I can be certain that he really will do everything he says.

#### As This Issue Went to Press

*The first session of the Estonian State Assembly and the second round of presidential elections have now been held.*

*Lennart Meri, leader of the radicals, Estonia's ambassador to Finland and formerly minister of foreign affairs, has been elected President of the Estonian Republic.*

#### Joint Commission Examines Citizenship Issue

*93UN0003A RAHVA HAL in Estonian 8 Sep 92 p 1*

[Article by Heikki Talving: "Estonian-Russian Commissions Differ in Their Interpretation on Citizenship"]

[Text] An agreement concluded on January 12 of last year, dealing with the fundamental relations between Estonia and Russia, prompted the establishment of a joint commission by the two parliaments with a goal to insure the compliance of the agreement. At the beginning of July, after some delays, the Supreme Council named the following members as representatives of this commission: Enn Leisson, Heino Eller, Tint Kabin and Rein Tamme, Enn Luimets, Vice-Minister of Foreign Affairs, and Mart Puuskop, the department head of the Ministry of Foreign Affairs. On Saturday, at our initiation, the commission met for the first time. At first the meeting was planned to take place in Tallinn, but at the request of the Russian side it took place in Moscow. Nikolai Medvedev, chairman of the commission of the Russian Supreme Council dealing with national relations and the reconstruction of the nation, was elected chairman of the commission. E. Leisson was elected vice-chairman. The powers of the commission will be in effect for three years and our parliament cannot replace any of its members.

Yesterday, in a meeting with journalists, E. Leisson, H. Eller and R. Tamme admitted that the discussions were difficult because they were dealing primarily with the question of citizenship. They referred specifically to section I of article III of the agreement, in which Estonia and Russia, upon signing, accepted the responsibility of guaranteeing the right of the citizens of the Soviet Union, residing at each other's territories, to retain their current citizenship or accept the citizenship of either CIS or Estonia as they wish.

As we know, Estonia and Russia interpret this concept differently. Our position is that a person's mere desire is not sufficient, one must consider also the laws of the state (in this case, Estonia). The Russian side focuses on the literal text of the agreement.

The joint press release released to journalists states that during the first meeting both sides agreed as to procedure, presented their positions and defined the problems to be discussed in the future.

Ordinarily, this type of wording hides the fact that no agreement was reached. Yesterday, however, members of the Supreme Council confirmed to us that fortunately this was not exactly the case. According to E. Leisson, there has been progress in reaching a consensus that neither side should consider just one option as the only solution. It was H. Eller's opinion that, in the course of the meeting, the other side began to understand that citizenship is not granted to everyone automatically.

each individual must apply for it. The recognition of this position may establish a favorable foundation for the continuation of a dialogue between the two countries.

As indicated, the meeting was not easy. One of the reasons was the internal infighting in Russia. All three members of the Supreme Council stressed that it was clearly evident that the opposition wants to attack Yeltsin by using the Estonian map and demanding the cancellation of the January 12, 1991 agreement. One of the representatives of this movement was Astafjev, a member of the Russian Supreme Council. The danger seemed quite real that the meetings may be discontinued. According to R. Tamme, this turn of events would be a blow for the meeting of Vahi and Gaidar. The talks between the delegations are due to begin tomorrow. E. Leison added that during yesterday's session of the Russian Supreme Council presidium, N. Medvedjev was to report on Saturday's meeting. H. Eller reminded us that September 20 is the date when the Russian Supreme Council committees must present proposals regarding the agreement on relations between the two countries.

The other reason is incorporated within the agreement itself. According to E. Leisson's opinion, the disputed paragraph is actually poorly worded for our benefit. (He reminded us that the text originates from Endel Lippmaa, with parts from the former Minister of Justice Juri Raidla and the chairman of the citizens commission of the Supreme Council Marju Lauristin.) The reason for it was based on past conditions (we needed the recognition of Russia; negotiations were conducted in haste) and conceptions (in several documents it was foreseen that all residents of Estonia would have the right to choose their citizenship within a year). Therefore, a text was formulated which is interpreted one way by us and another way by Russia.

Thanks to thorough preparations at home and to the understanding of a large number of the members of the Russian delegation that the aggravation of the situation may deal a blow to the present political power in Russia, it was possible, after several breaks, to bring the meetings to a conclusion. And to reach the position, as mentioned above, that one option is not the only solution. Of course, this commission as well as all the other negotiators with Russia can look forward to numerous future discussions on the subject of citizenship (the next meeting should take place in October in Tallinn). How these will end, I at least dare not forecast right now.

HEIKKI TALVING

**Vahi Addresses Parliament on Economy**  
93UN0003B Stockholm BALT-PRESS in Estonian  
8 Sep 92 p 7

[Speech of Tiiu Vahi]

[Text] Honored delegates of the Supreme Council!

As always, I am very pleased to meet with you today.

To tell you the truth, I am unclear about the objective of today's meeting. Is it to obtain information about economic conditions? Half of the delegates are candidates for Parliament, so these questions should be clear to them.

Is it desired by this means to sway the administration in solving economic problems? Hopefully we have a couple of weeks left until the end of our mandate. During this time, we will try to solve practical problems in preparing for the winter. We welcome suggestions.

With regard to the general philosophy of the economic policy, the key ingredients for which are the kroon, a rigorous profit policy, the continued freezing of prices, the speedy implementation of property reform in accordance with accepted laws and regulations, we do not plan any changes. There will certainly be opportunities for change for the next administration.

Or is today's meeting a pre-election show?

We can also part courteously.

The economic situation is critical primarily because of the decrease of continued production. Political independence brought along new economic realities:

- an enormous price crisis at the beginning of the year. Price increases in energy resources and raw materials from zero to the world market level;
- the decline of internal markets, which resulted in many enterprises losing 90 percent of the sale of products on the market;
- indecisive management of government enterprises.

A political decision has been made to convert to a market economy based on private property. However, the fundamental principles of private property have, for many reasons, not yet been determined, and property reform has come to a halt. Instead, there has been a great deal of purloining.

The primary objective of the administration was to solve the most urgent fuel supply problems and to make sure that people have sufficient foodstuffs.

We can say that the results are satisfactory. To achieve this, we have used foreign help as well as a temporary subsidy of agricultural produce and fuel. Also, salaries of the people have continuously increased.

We can say that for the coming winter we can obtain basic needed supplies.

**BREAD AND WHITE BREAD PRODUCTS.** The foreseen consumption of rye is 80,000 tonnes per year. We have a surplus of 30,000 tonnes. Our plans include the purchase of close to 80,000 tonnes from our farmers, of which 60,000 tonnes have already been bought.

The foreseen consumption of wheat is close to 90,000 tonnes per year. We now have a surplus of 25,000 tonnes. With a loan of \$5 million from the United States

we have agreed to purchase 30,000 tonnes. The aid from EEC amounts to 60,000 tonnes. We plan to purchase close to 10,000 tonnes from our farmers. This will guarantee a supply of wheat products until the next harvest and will make it possible to increase the distribution of wheat flour. The monthly ration for January was 4,000 - 5,000 tonnes, beginning in February it was 6,700, and right now it is 9,000 tonnes per month.

It should be noted that wheat is purchased from farmers at international market prices. An amount of 75 million Estonian kroons [EEK] have been allocated for the national grain repository. An agreement will be made with the Bank of Estonia for an additional EEK40 million.

With regard to milk and meat products, whatever is produced in Estonia should fulfill the needs of its residents. The question lies with prices, production cost, and the purchasing power of our people. We believe that we need to subsidize agricultural production in order to aid farmers.

Before next year's harvest, in order to supplement the feed produced internally, we need to acquire close to 600,000 tonnes of fodder. We believe that we have a solution for half of the needed quantity up to the end of the first quarter. At the end of September and at the beginning of October experts from European Aid will be in Estonia to solve the problem of the remaining crop.

The most difficult problem is with heating fuel. COAL. As of November 1 of last year, we had a supply of 102,000 tonnes. This lasted until this spring. Now we have 104,000 tonnes.

**HEATING OIL.** In November of last year we had a supply of 230,000 tonnes, now we have only 110,000. The necessary agreements have been made. However, consumers lack the money to purchase heating fuel. A decision was made by the administration to extend credit to consumers for the purchase of heating fuel in the amount of EEK20 million. This amount cannot be obtained from the budget. To purchase heating fuel, it has been planned to use \$15 million from the loan allocated to us by the World Bank. We are using close to 400 million rubles, or \$2.5 million, made available by technical credits exchanged with Russia.

We plan to sell forest lots for close to \$5 million. Yesterday, in an agreement with the Russian government, we succeeded in purchasing 100,000 tonnes of heating oil for kroons during the month of September. Thus we have contracts to purchase close to 200,000 tonnes, which should fulfill our needs.

In the near future, with the cooperation of district governors and mayors, we plan to turn over the fuel supply companies to the local municipalities. Heating fuel credits will be given to these producers on the basis of guarantees from the local authorities.

In order to lighten payments for fuel for the population, plans have been made to omit sales tax from the production of heating energy from October 1 to May 1. Also, it has been planned to increase the salaries of the population in September and November and, during the heating period, to extend public assistance to families with small incomes.

The application of these measures should enable people to live through the winter without ration cards and serious break-down in heating. Of course, this requires continuous work and follow-up.

The administration is handling the economy as a system the stabilization of which depends on how quickly and successfully we are able and wish to move toward a market economy.

The passwords for the stimulation of the economy are:

- transition toward a strong kroon through currency reform;
- a balanced budget policy;
- a strong profit policy and a halt to inflation;
- free market prices;
- intensification of property reform;
- the internationalization of the economy, first of all by fostering foreign investments, and also by minimizing customs and border checks;
- re-establishment of the management of state property;
- restructuring of production and its concurrent credit assistance;
- a positive breakthrough with eastern trade.

We have implemented these objectives. They are reflected in the fundamental philosophy of our economic policy, in the formulation of which we have used the assistance of IMF specialists.

This is a concrete and realistic way to stabilize the economy. This way we have relinquished the customary declarations and promises.

Government has been blamed for the decline of the economy. The worsening of the economic conditions have been beyond our control. Also, the 10 percent decline of the market has caused considerable loss for the nation's economy. The eastern market has dwindled even more for Estonia. This is not due to the government's actions. Instead, to the contrary. Today there are signs that promise improvement of conditions. They are:

- the convertibility and stability of the kroon;
- continuously expeditious settling of accounts;
- the appearance of goods in stores;
- the lowering of interest rates in banks;
- maintaining a balanced budget, while at the same time making timely payments of pensions and funds for living expenses as well as building reserves for the winter;
- an increase of foreign currency reserves at the Bank of Estonia.

I would also like to make plain my position regarding some problems that have been discussed at great length in newspapers.

**SETTLEMENT OF ACCOUNTS WITH RUSSIA.** It is not possible to settle accounts with a country whose currency has not yet been converted.

Since currency reform, the exchange rate of the ruble against the kroon has fallen twice. It is not possible to equate the ruble with the official exchange rate. This would take us back into the area of fixed rates for the ruble. Accounts can be settled with converted currency, by selling for rubles and using them to purchase the needed goods.

Yesterday, the agenda for discussions with the Central Bank of Russia and the Russian government, in addition to the free trade agreement, included the question of settling accounts. With regard to internal and foreign loans, it is possible to find a zero variant as of December 1, 1991. This would enable us to settle the loans of Estonian enterprises with Russia for that period.

We also discussed the possibility of extending to nonresidents the right to participate in foreign exchange auctions.

**CREDITS** for restructuring and export. After the introduction of the kroon, interest rates in banks have been lowered three times. We hope that by the end of the year this will stabilize to approximately 25 percent.

A credit in the amount of 50 million Finnish marks has been established with Finland.

We have \$5 million in account. An agreement has been reached with the German firm "Hermes" to extend a credit to us for concrete projects, which have been guaranteed by the government of the Republic of Estonia. Assistance programs are being set up by the IMF, the ECC and the World Bank. These measures will fulfill our credit needs by the end of the year. We need projects with a guaranteed profitability.

**TRADE WITH THE EAST.** I believe that the free trade agreement that we succeeded in getting signed, in spite of the warning of the Russian parliament that they will stonewall it, will, together with clearing up the accounts, considerably improve the situation.

**MANAGEMENT OF THE GOVERNMENT SECTOR.** The Republic of Estonia has passed a number of laws that allow the ministers to eliminate administrative councils and managements, and to take over their functions, while at the same time utilizing them as advisory organs or using the old scheme. Many ministries are doing this already.

**EMPLOYMENT.** This is probably the biggest problem at the present time. We have formed a task force that is looking for perfect solutions. It is true that this should have already been done earlier.

**STANDARD OF LIVING.** We have tried to compensate for inflation with our salary policy. According to statistics, the price of the food basket has risen 3.6 times this year, while salaries have risen three times. The next salary adjustments will occur in September and November. This will be done with the objective of halting the lowering of the living standard.

**PROPERTY REFORM.** The laws have been passed.

Considering the special occasion of this session, I would like to thank the Supreme Council for its fine cooperation. Regardless of the criticism of the present and past administrations and the Supreme Council, there has been a great deal of progress in Estonia during this period.

#### **Former U.S. Colonel Wins Big in Elections**

*92UN2193A Moscow NEZAVISIMAYA GAZETA  
in Russian 9 Sep 92 p 1*

[Article by Ilya Nikiforov: "A Purely National Parliament Has Been Elected for the First Time in Estonian History: A Former American Army Officer Won More Votes Than Anyone Else"]

[Text] The state election commission's first reports on the results of the parliamentary elections were modified considerably after all kinds of adjustments and final tallies. The party and individual composition of the State Assembly was known Wednesday evening, but the formalities of registering the members of parliament, according to Tunne Kelumaa, the election commission's press secretary, will be completed on 27 September.

It is not surprising that the Estonian State Assembly that was elected on 20 September is uniform in its ethnic composition. Anything else would have been surprising, despite the fact that even the patriotic Fatherland bloc had nominated several non-Estonian candidates. The strategic propaganda for the establishment of a "national state" prevailed over tactical ploys, and now ethnic minorities have no representatives in the legislative branch for the first time in the history of the Estonian Republic.

The right wing won a compelling victory in Estonia. Incidentally, the right wing here includes almost everyone, with the exception of the Communists, who flaunt their ultra-leftist leanings, and the People's Front, which has publicly understated its centrist position. The triumph of rightwing radical ideas was the result of the mood of the public and the parliamentary election procedures. The Estonian voters (one-third of those eligible to vote did not) cast 20 percent of the vote for the patriots from the Fatherland bloc, 14 percent for the economic administrators from "Safe Home," 8 percent for the National Independence Party, 10 percent for "moderates," 12.5 percent for the People's Front, and 7 percent each for royalists and the "Estonian Citizen" association. Another 10 blocs and independent candidates received 5 percent of the vote. When the results

were tallied and seats in parliament were distributed, the first winners were the 20 of the 600 candidates who had won the necessary number of votes. Seats were then assigned to another 20 on party tickets. The remaining 60 seats were distributed according to the proportional number of votes for various parties. The independents who did not achieve the necessary margin of votes and the organizations with less than 5 percent of the vote did not make the cut. The most popular candidate was the leader of the "Estonian Citizen" bloc, a former officer in the U.S. Army who fought in "two wars against communism," the minister of war of the Estonian government in exile, the Budenny-whiskered Juri Toomepuu, who won 16,904 votes. His fellow bloc candidate Toivo Uustalo won the least number of votes—only 51. Nevertheless, he also became a deputy of the State Assembly on the party ticket. For the sake of comparison, independent candidate Aleksey Zybin, who was born in the quaint village of Rotchina, won 20 times as many votes but did not get a seat in parliament.

As a result of all of the redistribution and compensation, the Fatherland bloc was given 29 seats in parliament, "Safe Home" got 17 seats, the People's Front got 15, the "moderates" got 12, the National Independence Party got 10, and the royalists and "Estonian Citizen" got 8 each. The Greens and the Party of Entrepreneurs won one seat each. The current parliament inherited many deputies from the former Supreme Council, especially the Fatherland faction. It has an even higher number of Estonian Congress deputies. In general, the parties had good reason to rely on well-known individuals. This produced impressive results. The State Assembly is not expected to do anything new. The Estonian political elite has not changed and has only undergone a shuffling of its ranks. It is not surprising that 47 percent of the deputies were members of the Communist Party and that an even higher percentage were part of the republic bureaucracy (in the direct sense of the term rather than the propaganda sense). The elite has not changed, but the ideals it proclaims have changed.

### Russia 30 Billion in Debt to Estonia

93UN0002B Tartu POSTIMEES in Estonian 10 Sep 92 p 1

[Article by Arno Susi: "The Soviet Union Has Caused Direct Losses to Estonia by at Least \$30 Billion - Has the Ledger of Accounts Been Forgotten?"]

[Text] On the occasion of the latest Estonian-Russian economic discussions in Moscow, news appeared in the mass media that Russia has proposed that all reciprocal claims be relinquished by both sides. This sounded like a gift from Russia to Estonia: our big neighbor does not, after all, wish to fleece us completely.

Of course, OUR EXPERIENCE OF PAST YEARS should make us wary of such statements.

Unfortunately, so far the Estonian public does not have a clear picture of this proposition. Is it even clear to our

delegation? Did the Russian delegation consider all the demands of both sides, which would include prepayments amounting to several billions made by Estonian enterprises, for which merchandise has not been received, as well as the value of merchandise sent from Estonia to Russia for which payment has not yet been made? Or did they consider only demands on state level?

Nevertheless, let us assume that we are dealing with interstate demands and that the debts of enterprises will be repaid by their trading partners. In the last instance, it would be well to remember that two years ago, through the initiation of the former administration, a LEDGER OF ACCOUNTS was compiled in Estonia in order to determine the losses brought on to Estonia by the Soviet Union. This project was not totally completed at the time; however, some of its component parts were completed and their results can be assessed in internationally recognized currency, for instance, in U.S. dollars. The following calculation is based on the premise that the median purchasing power of the ruble in the Soviet Union, established in the 1960 currency reform, was, from 1960 to 1989, equaled approximately the current purchasing power of the US dollar in the world market, and that, relating the price of gold in 1939 to Estonian kroons and the current U.S. dollars, the Estonian kroon has been calculated to be equal to 2.5 current U.S. dollars.

Studies made in compiling of the ledger of accounts revealed that Estonia suffered the following direct computable losses due to the actions of the Soviet power:

- In 1940, property and assets valued at 745 million Estonian kroons, or \$1,863 million, were expropriated from the Estonian military and banks.
- The value of property destroyed by the retreating Red Army, by the bombardments during the war, and by the Soviet administration after the war, has been calculated at 1,280 million rubles [R], or an equal amount of U.S. dollars.
- The loss incurred due to collectivization and deportation, resulting in buildings, inventory, livestock and other property (primarily in farms) to lose their owners and to be destroyed, has been computed in the amount of R2,100 million.
- After the war, uncollected income from land illegally expropriated from Estonia, or given for the use of the Soviet military, is computed in the amount of 4,040 million kroons or \$10,100 million.
- On account of the people who were imprisoned or deported, Estonia lost 1 million man-years' worth of productive work, which could be valued at 1,200 million Estonian kroons or \$3,000 million.

However, more than anything, the proceeds of the work and drudgery of the Estonian people have been pumped into the Soviet Union THROUGH THEIR FINANCIAL SYSTEM.

From 1946 to 1989 the Estonian Soviet Socialist Republic paid R14 billion in taxes to the budget of the

Union. In addition to that, meat and milk valued at R2.7 billion were contributed to the Union fund. The state bank of the USSR withdrew R2.1 billion from the savings of Estonian residents and loaned it out for the budget of the Union. This all adds up to R16,758,000,000.

Conversely, payments were made from the Union budget to Estonia in the amount of R3.4 billion for pensions and R3.9 billion as capital outlay for the economy. Therefore, through the financial system R11.5 billion was pumped out of Estonia. Proportionately with its population size, Estonia has participated in the formation of the Soviet Union's centralized monetary fund (over R3 trillion). These funds were spent, without asking the Estonian people, for the insane buildup of arms, for space programs, for BAM, for preparations to direct rivers toward the south and other senseless endeavors, which must be considered as extortion payments imposed on Estonia by its conquerors.

From 1946 to 1955, that is, during the period of reconstruction after the war, Estonia paid to the Union budget, based on 1960 currency, R1.6 billion, or an amount equal to total Estonian war damages. Thus, Estonia restored its devastated economy WITH ITS OWN FUNDS while at the same time paying its conquerors an equal amount as a fee. Russia has declared itself the legal inheritor of the Soviet Union. This also entails a responsibility to repay the debts of its legal forerunner. The total loss suffered by Estonia through the fault of the Soviet Union, as described above, amounts to slightly more than \$30 billion. This does not include the environmental damage caused by the Soviet military or the unearned profit from an unnatural economic system imposed on us. These would total hundreds of billions of dollars.

Let us say that the fault of the Soviet Union for causing some of the losses can be disputed. It has not been determined whose bomb hit which house and it can also be claimed that the Estonian people themselves allowed their property to be gradually ruined. However, in no way can one question the property expropriated directly from the Republic of Estonia and its economy and the pumping out of funds from Estonia through the financial system. This loss must remain the object of discussions. To agree with the repayment of any kind of debts to the Soviet Union would mean acceptance of the 1940 incorporation of Estonia by the Soviet Union.

In the spring, Otto von Habsburg stated at the university auditorium: no price is too high to get rid of Russia. In many ways there is a lot of truth in that. However, the Estonian people have been impoverished and have been forced to accept the role of international beggars. That is why the administration should consider the matter very seriously before it relinquishes claims for the property stolen from its people. The computations prepared for the ledger of accounts should serve as a weighty argument in discussions with Russia. However, one has not

heard anything about them so far. Has the ledger of accounts been forgotten?

ARNO SUSI

#### Eesti Bank's Reserves Grow Steadily

93JUN0001A *Tartu POSTIMEES* in Estonian 4 Sep 92 p 1

[BNS release: "Bank of Estonia's Gold and Currency Reserves Grew More Than \$8 million In One Month"]

[Text] The Bank of Estonia yesterday disclosed its balance as of September 1. It shows that, within one month, the bank's currency and gold reserves have increased by 94.4 million Kroons or by more than \$8 million. The cash emitted has grown by roughly the same amount.

#### Balance in millions of Estonian Kroons (EEK's), as of September 1, 1992:

ASSETS	
Gold and currency reserves	1,635.6
Total	1,635.6
LIABILITIES	
Cash emitted	771.5
Bank assets on deposit in Bank of Estonia	420.2
Capital and reserves	443.9
Total	1,635.6

#### Bank of Estonia balance changes (plus/minus millions of EEK's)

	August 1, compared to July 16	September 1, compared to August 1
ASSETS		
Gold and currency reserves	376.0	94.4
Total	376.0	94.4
LIABILITIES		
Cash emitted	47.7	93.8
Bank assets on deposit in Bank of Estonia	88.7	102.1
Capital and reserves	239.6	-101.7
Total	376.0	94.4

#### Bank of Estonia Comments

Kaupo Pollisinski, information director for the Bank of Estonia, told BNS that the bank has, to some extent, backed off from its earlier policy which did not allow increasing inflation.

Commenting on the new balance of Bank of Estonia, Pollisinski pointed out that, within one month, the bank has emitted cash amounting to more than 100 million Kroons. He also noted that the cash flow was increased at a time when industrial production was shrinking.

Pollisinski said that accusations levelled at the bank by several industrial leaders, about the bank not being able to guarantee a sufficient cash flow, are unfounded.

Pollisinski also referred to the announcement made the day before yesterday by Viktor Gerashchenko, leader of the Central Bank of Russia, stating that the currency reserves of the Bank of Russia amount to only \$100 million, because of which the bank's chances to stabilize the exchange rate of the Ruble will remain extremely limited.

The gold and currency reserves of the Bank of Estonia amounted to \$145 million, as of September 1.

#### 'More' Hotels Suspect in Illegal Metal Trade

*93UN0002A Tallinn EESTI EKSPRESS in Estonian  
04 Sep 92 p 3*

[Article by Jüri Liim: "Russian-Finnish Metal Trade is Active (Radio Reconnaissance in the Bay of Tallinn)"]

[Text] Some members of the RR "Tallinn Development Group" are offering an interesting solution to the problem of Russian maritime espionage. Namely, Jüri Liim has described how the Russian radio reconnaissance equipment was removed from the estate of Johannes Laidoner at Viimsi. However, there have simultaneously appeared at the Tallinn harbor two floating hotels named "More" sailing with a Russian flag and ignoring many of the customs procedures.

Because the Estonian-Russian consular agreements have not yet been affirmed by the parliaments, the internal security police is unable to check what kind of equipment has been set up on board the "More."

However, by noting the location of the two ships at different points in the bay of Tallinn, namely, near Linnahall and near the Pärnu Olympic complex, members of the Tallinn Development Group have made an interesting observation. If the third side of a triangle were to be drawn from each of the "More" hotels toward neutral waters, it would form an intersect needed for radio espionage.

The direction toward which the detectors on board have been tuned is obviously known to the Ossetic and Chechen young men who have come to use the floating hotels as their nightspots in Tallinn.

However, the telefax machine of the director of Linnahall receives messages for the crew of "More" which deal, actually, with the Russian-Finnish metal trade. "Maksakaa heti!" ("Pay now!") the Finns have demanded for a long time already. "More" does not reply ...

J. MARCONI



FIGURE 1 Formation of Triangle Needed for Radio Espionage

#### Key:

1. Ship No. 1
2. Ship No. 2, departed from unknown point
3. Ship No. 3, outside Estonian Republic border

#### Border Guard Situation, Prospects Analyzed

*93UN0002C Tallinn ESMASPAEV in Estonian  
24 Aug 92 p 1*

[Article by Sulev Teinemaa: "The 20-Kroon Monthly Wage for Border Guard Draftee is Laughable"]

[Text] Slightly more than a week ago the Border Guard Office arranged a three-day excursion for journalists to our southern and eastern borders. About 40 writers, photographers, radio and television reporters were introduced to the living conditions of the border guards. Altogether three motion picture companies recorded their observations for future generations. The journey began at Toompea, at the Border Guard Office headquarters, and continued through the harbor and the airport. After that, the group visited nine border points from Iksa to Narva and the Päriselja and Remnik training centers.

What could be the objective for this "sensitive journey" organized by Andrus Oövel's office? In all likelihood it can be tied in with the ongoing election campaign as well as with the Estonian Border Guard's 70th anniversary. At the same time, an attempt was made to disprove some articles of criticism that had appeared in newspapers and to attract greater public attention to the activities and problems of the border guards. Problems are plentiful enough. RIGHT NOW, 925 MEN DEFEND ESTONIAN BORDERS, while actually 3,048 are needed. This year, the draft period comes to an end for 580 boys, and it is not known if the same number of replacements will be found. It is true that military service has never been very much valued by Estonians and even now many

young men do not wish to realize that they should give up a year for the defense of their country. Frequently, they avoid service. At many border points, at least one-fifth of the men are always AWOL. So far, there is no law to punish the dodgers. And it is unlikely that such a law would be of any benefit. Preferably, service should be a matter of conscience for every man.

Although the border guards wear Russian uniforms (thanks to the internal security police who were able to requisition 5,000 uniforms that were being shipped out via the Hämär airport), life in the Estonian military differs a lot from that of the Russian military. Drills are conducted only when absolutely necessary. And, of course, it is not recommended to do a lot of marching in the 120-kroon boots from Tartu. In any case, in a couple of weeks these boots change beyond recognition, as half of them lose their soles after just one walk through the dew. Even though the Swedes and the French offer us their boots at favorable prices, they are still too expensive for us. So far the best boots are the Russian ones, but their acquisition becomes increasingly complicated.

#### The Boys at the Border Eat Fairly Well in These Hard Times.

Salami, cheese, butter, milk, cottage cheese and waffles are everyday fare. In the Russian army one could only dream of these things. Of course, there should be more salads, at least in the summer. However, it is not necessary for the parents to send food packages. Indeed, the 20-kroon monthly salary of the border guard draftees is laughable. However, non-commissioned officers earn 400-580 kroons and officers over 600 kroons.

The offenders against military service are of course punished, but there does not seem to be any unnecessary strictness. For instance, a young man who was AWOL from Remnik, ran for 30 km. to visit his girlfriend and the same distance back, having been away overnight. He had to sit in jail only overnight to set an "example." Another one felt sleepy during his guard duty and went up to the attic to sleep, placing his gun nicely next to him. This offender received four nights of jail to think things over. So far this has been the strictest punishment.

The service is entailed with fairly serious problems in specific locations. The most complicated problems are on the Narva bridge. Here the flow of automobiles and people is continuous. The border guard must, for six hours at a stretch in musty air, check the documents of people crossing the bridge. There are other problems with the Narva bridge. Experts from St. Petersburg pronounced it structurally unsafe. However, the Lithuanians found that the bridge can still be used, but it has deeply amortized.

In Narva, at the Kulgu port, 4,000 boats must be checked - anyone and anything can be transported back and forth across the river. At least liquor is cheaper on the other side of the river. But customs regulations allow only one liter of the hard stuff to be brought over; the duty on anything beyond that is 100 percent.

#### Forged Passports Are Causing a Headache at the Tallinn Harbor.

Thirty-eight forged documents have been confiscated. Most frequently, citizens of Tanzania and Somalia try to enter Estonia with forged passports in order to proceed from here to Finland. Legitimate passports, as we know, have watermarks, which can be exposed by ultraviolet rays. There is such a lamp at the harbor.

At the airport we can also encounter illegitimate travellers, but those are considerably more well-mannered than the ones at the harbor. Also, there are no tipsy northern neighbors among travellers.

Forged documents are also used in attempts to cross land borders, but to a lesser extent. Of course, borders are crossed also outside of the customs points; however, this cannot be done by car - sensitive areas are obstructed by ditches. Contraband smugglers sometimes try to bribe customs officials or the border guard. The largest amount offered was 50,000 rubles. At the border it was claimed that the acceptance of bribes is ruled out because there are several different crews at each border point.

LIFE AT THE BORDER IS POSSIBLE, to paraphrase the most recent and closest top men. Slowly but surely, even the people from Valga and Narva are getting used to the fact that they are living in Estonia and must show identification to cross the border. Special incidents do not occur frequently, even with our big neighbor. Sometimes it is true that telephone lines are cut and there is no connection. Threatening fires flickering on the other side of the Narva river are now being looked at as fun and games.

SULEV TEINEMAA

#### Migration Statistics for First-Half 1992

92UN0001A Tallinn RAHVA HAAL in Estonian  
20 Aug 92 p 1

[BNS release: "First-Half Migration Balance Minus 16,005"]

[Text] Galina Gavrilova, deputy executive director of the Immigration Service, announced that during the first half of 1992, 17,850 persons emigrated from Estonia, 17,312 of whom chose the former Soviet Union as their new residence. The remaining 538 emigrated to other countries. Those leaving are predominantly Russian-speaking individuals, heading mainly for the St. Petersburg, Pskov, Novgorod or Moscow oblasts. Departures are made mostly from Tallinn and eastern Virumaa. Compensation to those giving up state apartments is paid in Tallinn and Narva only. During the same period, 1,845 persons arrived in Estonia, 1,749 of whom used to live in a former Union republic. Most of these immigrants are coming to Estonia under the quota.

An exceptionally large number—4,044 people—left Estonia in June. People arriving numbered 215. The same trend continued through July.

The migration balance for the first half of the year turned out to be minus 16,005 people.

Estonia's population, at the beginning of July, was calculated at 1,5455 million people. Estonia's natural population growth was negative (-561 people).

### Statistics Yearbook Published

*93UN0001C Tallinn ARIPAEV in Estonian 20 Aug 92 p 3*

[ARIPAEV book review: "Estonia In 1991"]

[Text] The yearbook of statistics, published recently, reflects Estonia's social and economic conditions for the years of 1980, 1985, 1990 and 1991. The Bureau of Statistics, in its accompanying letter, explains that data for 1991 is in many cases preliminary. However, we will focus our attention specifically on these matters.

### Population Figures Decreasing

As of January 1, 1992, Estonia's population numbered 1,561,971. On January 1, 1991, this number was 1,570,390 and on January 1, 1990, 1,571,721. Hence, the population total has decreased. The number of inhabitants has decreased in Tallinn, Kohtla-Järve, Tartu and Pärnu, but has increased in Narva and Sillamäe. The Estonian portion of the total number of birth started going up in 1986, and has been growing ever so slightly since.

In percentages, the growth has been as follows: In 1986—58.6 percent; in 1988—60.7 percent; in 1989—64.6 percent; in 1990—66.0 percent and in 1991—68.4 percent. The total number of births, however, has declined: In 1989—24,294; in 1990—22,308; in 1991—19,320 births. Also down is the Estonian portion of natural population growth: In 1989—44.7 percent; in 1990—38.8 percent; in 1991—92.2 percent.

### Migration

Registered as newcomers in 1991 were 5,203 people who had arrived from outside of Estonia (in 1990—8,381, in 1989—12,497). During the same year, 13,237 people left Estonia (in 1990—12,402, 1989—12,336).

Thus, the migration balance has been negative for the last two years—4,021 two years ago, and -8,034 for the year before.

### Enterprises

As of June 25, 1992, there were 39,188 businesses, administrative offices and organizations in the Estonian registry of enterprises. For ownership, they break down as follows:

state property	8,938
municipal property	536
private property	16,289
cooperative property	8,790
property of community organizations	2,469
rental enterprise property	229
property of foundations	141
joint ventures with foreign capital participation	1,633
property of foreign states	163

### Trade

Estonia's volume of exports for 1991 was 5,102,326,000 rubles (which included exports for 4,833,236,000 rubles to the former Soviet republics). Imports amounted to 4,454,460 rubles last year (which included 3,755,366 rubles from the former Soviet republics).

The biggest exporting partners out of the former republics were Russia (2,883,511,000 rubles) and Ukraine (655,903,000 rubles); and out of other foreign states Finland (119,368,700 rubles), Sweden (26,692,000 rubles) and Netherlands (14,549,200 rubles).

Making up the bulk of the exports were textile and chemical products, live animals and products of animal growers, steam kettles, machinery, equipment and parts.

Imports consisted mostly of textile and mineral products, and also metal and metal products.

### Electricity

Last year, 14,627.2 million kilowatt-hours of electricity were produced in Estonia. Obtained from elsewhere were 2,222.1 million kilowatt-hours, and 6,993.2 million kilowatt-hours were transmitted outside of Estonia. The consumption for 1991 totalled 9,856.1 million kilowatt-hours.

### Workers and Wages

In 1991, the average number of workers was 798,656, whose average wage was 711.1 rubles a month. The highest salaries were paid in the field of credit and state insurance—1,109.8 rubles a month. These were followed by joint ventures with foreign capital participation with 1,070.5 rubles, and production, service and other cooperatives with 901.3 rubles a month.

### Industry

In 1991, 19,612,000 tonnes of oil shale were produced (22,486,000 tonnes in 1990). Production had also dropped for cellulose (65,700 tonnes in 1991, down from 68,400 tonnes in 1990), cement, excavators and other items. But it was also down for meat, sausages, fish products, butter, dairy products, cheese, canned goods, soft drinks, mineral water etc.

Production was up for alcoholic beverages (1,605,000 decaliters in 1991, up from 1,474,000 decaliters in 1990), and grape wine.

#### Transportation and Communications

Last year's volume of haulage was down from 1990. Only the haulage volume of sea transport was up.

On railroads, the 24-hour productivity rate was up for freight cars, and so was the speed of freight trains (45.1 kilometers per hour).

Planes delivered 458,600 passengers to their destinations. The seat utilization figure was 85.2 percent.

Ships took 1.5 million people to their destinations.

During 1991, 32 million long distance calls were made. There was an increase in the number of telephone sets within the network of the communications ministry (373,000 in 1991, up from 363,000 in 1990).

### LATVIA

#### Rubiks on CP Future, Charges Against Him

93UN00264 Moscow PRAVDA in Russian 30 Sep 92  
p 2

[Interview with Alfred Rubiks, former Latvian CP Central Committee first secretary, conducted by PRAVDA correspondent Oleg Meshkov: "You Cannot Ban an Idea by Decree": Dialogue in Cell 450"]

[Text] *Alfred Rubiks has been called "political prisoner number one" in the Latvian press. He has spent over a year in Riga Central Prison, with no end to the investigation in sight. A PRAVDA correspondent managed to get access to the leader of Latvia's communists.*

[Rubiks] Even now I do not feel that I have been relieved of my duties as Latvian CP Central Committee first secretary. At the first interrogation they asked me: what should we write on the form under "employment"? What else, if not Latvian CP Central Committee first secretary? I was elected to that post by the communists, and no one has removed me from it. For some reason people are claiming that I quit the party. No. I remain a communist. I am not an eighteen-year-old boy. Tomorrow I will be 57, and my convictions were formed under difficult real-life circumstances.

True, on 22 August, one day before I was arrested, I conferred with my comrades at a session of the Central Committee Bureau about whether it would perhaps be better, in order to preserve the party, if I quit my post. Perhaps there was something in my actions which had hurt the party. But they unanimously rejected my resignation.

[Meshkov] One sees things like this written about you: Rubiks's certainty is a mask that conceals a man torn by inner conflict.

[Rubiks] Everyone has conflict in their lives. Otherwise there would be no development, no progress. But to claim that I am supposedly torn by conflict and have lost my bearing is nonsense. I am not wearing any mask. I hold firmly to my views. I am supported and inspired by the trust of people, of the voters whom I represented in the parliaments of Latvia and the USSR. Furthermore, I am absolutely certain that no matter how events turn out life will prove that we were right.

[Meshkov] If you are referring to the indestructibility of the communist idea, then what you said may be supported by this fact: recently in Latvia, where communist party activities are banned, the Union of Communists of Latvia held its founding conference. Incidentally, you were represented by a delegate's seat at that conference.

[Rubiks] I learned of the conference from a television report, but that is the first I have heard about my seat. The communist idea cannot be banned by decree. That is stupid. Of course, the Union of Communists must operate within constitutional limits. If it does so I predict that it will become a serious opposition to our current government. Insofar as I can tell from the information reaching me, the situation in Latvia is bad. The cost of living is rising rapidly, and 80 percent of all enterprises will soon be forced to declare bankruptcy. Three-quarters of the population are approaching the poverty level. With no solution in sight, I believe that in a situation like that huge masses of people feel a strong sense of mental discomfort, if not despair.

[Meshkov] That is true. Satirists joke on stage that nowadays people are like Leyden jars—you just touch them and they resonate.

[Rubiks] In one interview I did in fact get the feeling that at least in here I am relieved of the necessity of finding a crust of bread and a wood stove to keep me warm in the winter. Seriously, the energy crisis—that in particular—could finish us. And I remember this paradox: the full sack is heavy to bear, but an empty one weighs even heavier. With each day that passes I become more convinced that we were right back then when we said that under no circumstances should we destroy the Soviet Union and break off all ties with it all at once.

[Meshkov] Have your views on the issue of Latvian independence changed?

[Rubiks] No. But I would like to take this opportunity to say that I am frequently and completely groundlessly accused of being an enemy of my people, a Latvian who is opposed to Latvia's independence. That is nonsense! I simply take a sober view of the real situation. They say that everyone has his own truth. Well, my understanding of the truth is that Latvia, like any other state entity within the USSR, should have been sovereign but, I repeat, the Union should not have been destroyed. A transition period should have been set up and complied with. The disintegration of the USSR was a tremendous

historical mistake. Furthermore, I am categorically opposed to placing the rights of a nation above human rights.

[Meshkov] I have brought with me here today questions that people are discussing on the street. For example, many people are saying, what sort of party is it that ceases to exist after it takes its first serious hit? They are referring to the Latvian CP. What do you think about that?

[Rubiks] Your question could also apply to the CPSU. I have thought about that a great deal. I do not agree that the CPSU only took one hit. There are very few parties in the world that could have held up so long under such a fierce attack. Moreover, the CPSU was being led by short-sighted people—the Politburo as it existed prior to the 28th Congress. They must have seen the events that were occurring in the party and in the country, and they should have come up with a theoretical assessment of them and developed a plan of action that would have prevented disaster. I do not believe that the party simply collapsed. The higher-ups betrayed the party. There has never before been a case of a general secretary and a country's president renouncing their party and their party posts.

[Meshkov] In August of last year M. Gorbachev lumped you together with Saddam Hussein...

[Rubiks] I am aware of Gorbachev's statements, and I have written him a couple of letters from prison about it. Now to the point: if anyone believes that communist ideals have faded and lost their attractiveness, then that is not because they are wrong, but because for a long time they were placed in the service of a very specific group of people who bent them to their own selfish ends. Can I consider myself an enemy of democracy in its best sense? No. I recall that when Mr. Vagris and Mr. Raman—former chairmen of our republic Gosplan—were fervently defending the idea of massive construction of large plants in Latvia without supplying them with adequate raw materials or a work force, I opposed that ruinous policy before the Supreme Soviet, and took plenty of heat for it at the time. I also recall the moral pressure put on me by the Latvian CP Central Committee of that time and other republic leaders because I openly opposed unfair housing distribution. As mayor of Riga I refused to issue apparatchiks papers letting them live in prestigious buildings. The local press actively supported me, and I was even named man of the year on the basis of a local press poll.

The party made a fateful mistake when it did not start perestroika with itself. People's minds became confused. But I always firmly insisted on abiding by the existing Constitution. Is that my only sin? Is that perhaps why the former president considers me a part of the past?

[Meshkov] What was your reaction to the official charges filed against you?

[Rubiks] On 26 August of last year the first indictment was filed against me, and on 22 February of this year the second one was. I not only do not consider myself guilty, I cannot understand the point of these accusations, and no one can explain them to me. Because if they were to reason logically, then the investigator and the procurator would also conclude that they themselves acted against the Latvian Republic. On 4 May 1990 a declaration of independence was adopted in which Latvia repudiated all Union laws. That means that law enforcement organs, instead of protecting the interests of the Latvian Republic, instead protected the interests of the state that they themselves had declared an occupier. Originally they said: Rubiks betrayed his homeland. Which one? No reply. Then they started talking about an attempted conspiracy to seize power. Neither accusation will stand up to any criticism.

[Meshkov] One last question: how do you feel?

[Rubiks] I have now achieved an inner balance. I am waiting for my trial calmly. As you can see, I am alone in this cell. I watch Latvian television on a small portable television. I read a lot, and I have even begun writing poetry. I remember what Nikolay Berdyayev said: create or perish. This is my six-kilogram dumbbell—I pour water in a teapot and do calisthenics regularly. I would like to send my warmest regard to all the readers of your paper. PRAVDA is no longer being distributed in Latvia. It is too bad that I cannot read it here.

#### Non-Militarized Shore Guard Proposed

93UN0042A Riga DIENA in Latvian 26 Sep 92 p 7

[Article by Eriks Kulis "Elimination of the Naval Forces of the Republic of Latvia Means the Plundering of Latvia"]

[Text] Liepaja, Sept. 25. "National Defense Commission representatives to the Supreme Council, Indulis Ermis and Guntis Drunka, are the authors of a plan to replace the Latvian naval forces with a non-militarized shore guard, because doing so will save Defense Ministry resources," according to Ilmars Lesinskis, commander of the Liepaja division of the naval forces, as told to DIENA. "I would like to know how much money from the budgetary funds will be needed to disband our organization, and how much will be needed to pay the salaries of the men in the non-militarized unit, in order for them to agree to stay on guard day and night to prevent Latvia from being plundered. The folks in our service only receive 30 percent of the minimum subsistence wage. Furthermore, the non-militarized shore guard service will need the same ships, the same expensive fuel oil. It will take a certain amount of time before the required staff is recruited and trained."

I. Lesinskis explained: If the naval forces of the Republic of Latvia are eliminated, Latvia will be the only nation in the world without such a military division, and it is possible that this may inspire the representatives of the Russian naval fleet to assume the role of "guardian" for

this shore of the Baltic sea. Another fact worth considering is that today, Lithuania is moving out two anti-submarine vessels from Liepaja harbor, just purchased from the Russian naval fleet, which are equipped with rockets for repelling attacks from the air. Therefore, Lithuania has serious concerns about defending its border along the seacoast.

"We need naval forces, not only to defend Latvian economic and ecological interests," said I. Lesinskis, "but also because, right now, our main goal is to control what the Russian military is bringing out, since they are trying to remove non-military type valuables from Liepaja. On August 7, Russia's large naval landing vessel No. 018 attempted to ship 22 screw propellers to Poland. Tugboat No. 921 attempted to tow away no more and no less than a floating pier. Our patrol boat forced them to return. We sent the army division a fine in the amount of 25,000 rubles. The tugboat "Janis Berzins" attempted to ship out arms belonging to the Strelniks. There was an attempt to sell scrap from warships to foreign firms. I could mention more and more of these examples. I would only like to add that there is no Republic of Latvia naval force division in the harbors of Riga and Ventspils. Could someone actually be benefitting from the fact that there is no division in Liepaja harbor to 'spoil the atmosphere'?"

Unfortunately, the plan to eliminate the naval force division in Liepaja has already been adopted by the Supreme Council at the first reading.

### Godmanis Visits Taiwan

92UN2175C Moscow NEZAVISIMAYA GAZETA  
in Russian 15 Sep 92 p 3

[Article by Vitaliy Portnikov: "Godmanis Has Left for Taiwan: Latvia in the Role of a Foreign Policy Test Range"]

[Text] The Latvian Prime Minister Ivars Godmanis has left on a visit to Taiwan. Chronologically this has coincided with rumors on the possible establishing of consular relations between the Russian Federation and the Chinese Republic of Taiwan (the Russian Federation Minister of Foreign Affairs Andrey Kozyrev has had to repudiate officially such a possibility). Latvia has ended up precisely as that free thinker who felt it possible to have both consular relations with Taipei and official relations with Beijing. The PRC was so amazed by this that its ambassador to Latvia left Riga and seemingly does not intend to return there. Probably the visit by Ivars Godmanis will not aid in this return.

The problem of "two Chinas" of course is more delicate than, let us say, the problem of "two Koreas," as each government claims the legitimacy of the entire Chinese territory and the recognition of would excludes the possible of relations with the other. If Taipei claimed a certain separateness or an independent Taiwan, then would be the possibility of certain compromises. But the Taipei government itself claims to be the government of

all-China and nevertheless exists on a separate territory, being also an advantageous economic partner. The great nations such as Russia or the U.S. have not been able to resolve this problem, since immediately geopolitical interests come into play. The U.S., the old ally and current friend of Taipei, maneuvered as much as it could, but ultimately was forced to recognize the existing reality and establish diplomatic relations with the PRC and break diplomatic ones with the government on Taiwan. The number of countries recognizing this government is declining every day but it still exists!

And here tiny Latvia possibly has a historic role to play. Riga is not so concerned about its interest in China as is Moscow or Washington and for this reason could allow such a diplomatic experiment. It has turned out, incidentally, that it was not fatal as Beijing did not break off diplomatic relations with Latvia. The door has remained unlocked and possibly over time it will even be possible to open it. If Latvia were to become a country which successfully maintains relations with "both" Chinas, its example could be used by other countries, probably with the exception of the superpowers. In any event this would be beneficial for the former Soviet republics as Taiwan is showing a rather strong interest in collaborating with us and due to a certain flexibility of its economy is a more advantageous partner than is "great" China which is more inclined to border trade. For now Ivars Godmanis has gone to Taipei for economic gains. We shall know in several days whether he has been able to turn Taiwan into a serious economic partner (more accurately put, a creditor) of Latvia. But the model of mutual coexistence with the "two Chinas" is beginning to arise.

### Latvia Claims Embassy Premises in Moscow

92UN2175B Moscow IZVESTIYA in Russian 19 Sep 92  
Morning Edition p 5

[Unattributed article: "The Latvian Embassy Makes its Claim to a Building in Moscow"]

[Text] IZVESTIYA (No 204) has published material that, regardless of the promise from the Latvian authorities, Russia has still not received back its legitimate property in Riga, where prior to 1940, the Soviet embassy was located. With a reference to a highly placed official in the Russian MID [Ministry of Foreign Affairs] the material also mentioned that the question of the return of the Russian property could cause the Russian side to go back to the question of the legal status of the Latvian embassy in Moscow. The material mentioned that Latvia has no documents confirming the right of Latvia's ownership to the plot of land and the embassy building in Moscow.

In this context the IZVESTIYA editors have received a statement from the Latvian Republic embassy in Moscow. In particular this stated: "The embassy actually still does not have the documentation on the purchase of the plot of land and the building in which the embassy

was located from 1922 until the violent liquidation of the Latvian diplomatic service by the Soviet Union. However, according to the documents from the postwar period, the permanent representative of the Latvian Council of Minister was the owner of this property. It is also an indisputable fact that the new embassy building was built with republic budget funds. It is natural that after the restoring of diplomatic relations between our countries in 1991, the embassy would continue its work interrupted by the totalitarian regime in the building on Chaplygin Street."

As for the problem of the Russian property in Riga, as the statement of the Latvian embassy stated, "The sole productive way for resolving the question is by talks."

#### **Parfenov Trial Proceedings Reported**

92UN2175D Moscow *IZVESTIYA* in Russian  
23 Sep 92 Morning Edition p 2

[Article by *IZVESTIYA* Correspondent Irina Litvinova: "The Trial of S. Parfenov: 'The Victims Have not Appeared'"]

[Text] "Possibly the victims who today were to have given evidence on the case of the Deputy Commander of the OMON [Special Purpose] Subunit Sergey Parfenov were intimidated since their testimony today differs greatly from their testimony during the preliminary investigation," was the assumption of the Procurator A. Lapsa and which appeared in the first column of the official Latvian newspaper *DIENA*.

The third day of the court trial of S. Parfenov began with his statement dealing with the procurator's assertion. If in the charges there is evidence of pressure put on the victims, this must turned over to the court, as otherwise this is clear influencing of public opinion and this is not permissible by officials in the court trial.

"Does this mean that you are challenging the procurator?" asked judge Janis Laukroze. The reply was unexpected: "No, I do not want this publication to be used for drawing out the trial over the question of replacing the procurator. I do not exclude that I have been provoked precisely to such actions."

The procurator provided a comment: a journalist had distorted the sense of his words. The court, having consulted, issued a rebuke to the procurator and recommended to all the trial participants they they refrain from interviews in the mass information media until the end of the trial.

The third day of the trial, as the two previous ones, ended early. The victims again did not show up (I recall that 16 of them figured in the investigatory materials). Testimony was given by six witnesses on the episode at the customs post in Aynazhi. The women from the service station close to this post and where they fueled the vehicles which belonged to the OMON could not confirm this fact for certain. Moreover, they knew

nothing about the involvement of S. Parfenov in the elimination of the customs point.

One of the customs officials asserted that he had shown Parfenov the newspaper clippings and the developed photograph while another could not confirm with accuracy that the OMON was there. (In his description these were persons "in green berets" and during that period they were not wearing the OMON uniform).

Finally, the fifth witness who happened to pass accidentally the site of the event, said that he saw OMON vehicles there. In truth their number did not coincide with the amount of motor transport indicated by the customs officials. The witness could not provide any evidence on Sergey Parfenov.

#### **Gorbunov Confirmed Until Saeima Elections**

92UN2175A Moscow *KOMSOMOLSKAYA PRAVDA* in Russian 23 Sep 92 p 3

[Article by KOMSOMOLSKAYA PRAVDA Correspondent K. Markaryan from Riga: "Gorbunov is the Head"]

[Text] For the first time in the rank of the official head of the state, the Chairman of the Latvian Supreme Council has gone abroad.

Finally Latvia was acquired its own head. And without any elections. Everything was done simply. The Latvian Parliament took and approved a law on the head of state for the period to the convening of the Saeima. Such a rush was caused not by the personal ambitions of the Latvian speaker, but by the need related to the forthcoming speech on 25 September at the UN in New York. The entire hitch was merely that according to international protocol only the heads of states or governments have the right to speak from the UN rostrum. Of course, the Chairman of the Council of Ministers I. Godminis could have spoken, but he, as was established by the same procedure, would have to wait his turn. Only the leader of a state can take the floor out of turn.

It was clearly intolerable for Latvia to wait as in the planned speech Anatoliy Gorbunov intended to speak of the withdrawal of Russian troops from Latvia. The naturalization of the republic's nonindigenous residents, incidentally, is related to this problem.

#### **LITHUANIA**

##### **Freedom Union Sets Election Program**

93UN0108A Vilnius *ECHO LITVY* in Russian 6 Oct 92 p 3

[Interview with Vytautas Sustauskas, chairman of the Freedom Union of Lithuania, by ECHO LITVY correspondent R. Zbormirskas; place and date not given: "Political Parties and Social Movements on the Threshold of Elections: We Will Protect the Interests of the People and the State"]

[Text] The Freedom Union of Lithuania [SSL]. This name appeared only recently on the political horizon, but already the SSL figures on the lists of candidates participating in elections to the Seimas of the Lithuanian Republic. Our correspondent R. Zbormirskas talks with Vytautas Sustauskas, chairman of the Freedom Union of Lithuania, about this political organization, its principles and ideals, and its election program.

[Zbormirskas] We have been seeing you fairly frequently—at meetings between republic and city leaders with the residents of Kaunas, at sessions of the city council and local self-government presidium, and at events conducted by the Freedom Union of Lithuania. In short, the functioning of the union and you as its leader have long been well known in Kaunas, but the name is new. What is behind this?

[Sustauskas] Yes, it is only quite recently that the Freedom Union of Lithuania was registered—18 August 1992. But practically speaking, our activity began in the summer of 1987, when within the Freedom League of Lithuania [LSL] we waged an uncompromising struggle for the country's independence. At the League Freedom of Lithuania Congress on 2 February of this year we dissociated ourselves from its leader, A. Terliackas, and began independent activity—we being the Kaunas, Marijampole, Vilkaviskis, Alytus, and Kedainiai branches of the league and a number of LSL members from Zemaitija.

[Zbormirskas] What motives prompted your union to enter the elections?

[Sustauskas] It can be said that the council of our union decided only at the last minute to "go" to the elections. It made this decision because we cannot permit "spineless" people to be elected, people ever shaking in their boots, for whom it is not the well-being of the people or consolidation of the state that are important, but rather efforts to increase their own welfare. It has long become clear to us that the present politicians have put Lithuania's problems on the back burner, giving precedence to the interests of the Landsbergis or Brazauskas groups. We are not excited by the halo of glory of individual personalities—we have no intention of engaging in their glory worship. We are concerned with the flourishing of Lithuania and the overall material and moral state of its inhabitants.

[Zbormirskas] How were the candidates from your union selected for inclusion on the lists?

[Sustauskas] The SSL will have 20 individuals running for election. We selected candidates for deputy to the Seimas from the "middle segments," so to speak, of society. They include active members of the union who distinguished themselves during the struggle for Lithuanian independence, as well as people who suffered during the period of occupation from the Bolshevik regime. I will provide just a few names: Candidate of Technical Sciences P.-M. Juozapavicius, production

workers and brothers Antanas, Juozas, and Gediminas Budinskas. These are well known and respected people.

And so it is our aim to come to parliament with people who have gone through that very difficult, often bitter, school of life. What contribution could have been made for people and for the country by leaders who know life, the economy, and social relations only by virtue of textbooks and scientific endeavor, leaders such as G. Vagnorius and Z. Vaisvila, for example? We believe that in entering the government, these people did a great deal of harm, destroyed the economy, created conditions for the flourishing of shadow, mafia structures, procreated corrupt officials....

We have a different credo—the Seimas must adopt just laws beneficial to the people of Lithuania, laws which safeguard their interests. And in order for this to happen, this body must have competent people dedicated to the Lithuanian cause.

The union has devoted special attention to economic reform in its election program. Our economic program was developed in April of this year and people could become acquainted with it in the newspaper ATGIMIMAS. In it we point to the pseudo-privatization which is taking place in Lithuania and to other economic and social problems. In 10 sections of the program we offer specific radical proposals for extricating ourselves from the crisis.

[Zbormirskas] Does your election platform coincide with that of any other parties or social movements?

[Sustauskas] Our union is going to the elections alone. We are not creating coalitions, nor are we joining into blocs, since the programs of other parties and movements are too liberal in our view—they are suitable only for developed states, while Lithuania is rising from its knees, if we may so express it, and has yet to rise to its full height. I think that our election program is the most radical.

If we are to talk about politicians and their views, I personally do not divide them into right- or left-wing. In my opinion there are two categories of people—patriots and saboteurs. If a right-wing deputy or official is corrupt, robs the people, steals from the state, then he is a far worse good-for-nothing than our former Communists. The state of affairs in our leadership circles right now is a mess. It is not for nothing that people say: "The trough is small, and there are a lot of pigs." How many pretty sounding phrases and promises resounded on the eve of our last elections! And how many of them were fulfilled? Many previous candidates who became deputies thanks to this eloquence are once again "coming" to the elections and once again they will deceive the people.

Why are we not joining our positions with anyone else? Because our ideals and principles are different from those of other parties and movements. We do not accept politicians of the left, former Communists who changed their name to the DPTL [Democratic Labor Party of

Lithuania]. Why have they, members of a former rich organization, not invested their significant funds into agriculture, for example? Why have they not bought a thousand tractors for the peasants, let us say? Then too, the leftists gravitate too strongly towards the East. As far as deputies and officials of Sajudis are concerned, in our view they have ruined the economy of Lithuania and are "leading" the people into the depths of despair. This has taken place because many KGB agents have infiltrated the movement whose task it is to destroy everything—let the people go through famine for a while, perhaps then they will ask to return to the embrace of Mother Russia. We cannot help but be alarmed by the position of the Union of Workers of Lithuania. This organization could be a tremendous force for establishing order in the parliament, in government, and in the localities, but at present it is essentially doing nothing.

I can only add to this that deputies elected from the Freedom Union of Lithuania will staunchly protect the interests of our people and our state.

[Zbormirskas] Thank you for the discussion.

#### **Freedom League Preelection Program**

93UN#107A Vilnius EKHO LITVY in Russian 3 Oct 92 p 3

[Interview under the "Political Parties and Public Movements: on the Threshold of the Elections" rubric, with Antanas Terleckas, chairman of the Lithuania Freedom League Council, by V. Kuznetsov; place and date not given: "Our Goal Is Justice"]

[Text] The Lithuanian Freedom League was formed in 1978. It unites, its leader A. Terleckas estimates, approximately 10,000 persons. It does not have a fixed membership. It is taking part in the Seimas elections independently as a social and political organization. There is a list of 21 persons, 10 of whom will fight for a deputy's mandate in single-seat constituencies also. We talk about the movement's election program with Antanas Terleckas, chairman of the Lithuanian Freedom League Council.

[Kuznetsov] There are in society quite contradictory opinions about the Lithuanian Freedom League. Please describe it briefly.

[Terleckas] Our movement does, indeed, differ to a large extent from other political forces of the republic. And the first difference is that our organization began to operate under clandestine conditions in 1978. The second is that there is not a single former Communist in our ranks. The purpose of our organization has not changed since then—the building of an independent democratic Lithuanian state. We are also the most "awkward" political force. We are not greatly liked either by Sajudis or the DPTL [Lithuanian Democratic Labor Party] Communists and the Forum for Lithuania's Future. We are for the latter the ideological enemy, what is more, and for Sajudis, a political opponent and, in a sense, a competitor. After all, it was we who were the first to

proclaim as a goal Lithuania's independence. But Sajudis, abetted by the Communists, supplanted us in political life. But the league has persisted and will fight actively for seats in the Seimas. Contrary to certain reports, there has been no split with us, incidentally. One member, who has created his own political organization, left our council.

[Kuznetsov] What are the basic program propositions of the Freedom League which it is taking to the elections?

[Terleckas] We advocate free labor and the development of production, enterprise, and trade. We are simultaneously opponents of unemployment, nomenklatura privatization, the plunder of Lithuania's assets, a cut-back in production, and profiteering.

In the event of their being elected to the Seimas, our representatives will demand of the owners of privatized properties income declarations. In the event of the absence of corroborative documents, these contracts should, in our opinion, be canceled, the properties sold at auction, and the monies channeled into the support of the socially unprotected strata of society.

We will seek the return of the land to those working on it, the restoration of the right of ownership of the land, and the authorization for its leasing, exchange, or sale. Our plans also include the utmost support for owners in the countryside, who are currently reviving. We would consider it expedient to exempt them from taxes, supplying them with building materials and equipment free of charge, developing processing industry, and preventing a monopoly in this sector.

In industry the following step is essential, in our view: giving the enterprises to those employed at them, under no circumstances to the nomenklatura. The reorientation of industry so that more efficient use be made of local raw material and that processes requiring more manpower, but fewer energy resources, be developed is essential. This would serve to reduce the threat of unemployment to a large extent. Social safeguards are needed not only for those in work: It is obvious that the subsistence minimum should be at least doubled and the continuous price increases halted. What ways out of the economic crisis do we propose? Here are some of them: reducing taxes for industrial enterprises and increasing them for commercial enterprises; exempting from taxes for the first three years medium-sized and small industrial enterprises, and using their profits for the introduction of new technology; exempting from taxes enterprises importing technology and production equipment; introducing a differentiated tax on real property, the purpose being its most efficient use.

We have in our election program paid great attention also to science, culture, and education. It is essential to protect them against the diktat of the power structures and to legislatively guarantee our youth the possibility of acquiring the right specialty. This should also be served, finally, by the creation of a national school and its

liberation from Marxist dogma and the teachers propagandizing it. It is also essential in the interests of our young people to restrict the production and dissemination of pornographic and similar products.

But merely the enactment of the appropriate laws is insufficient, of course, for the realization of all these goals. It is essential to form an industrious government and not permit what we have now. I categorically disagree with the opinion taking shape at this time that the "right-wing" government is to blame for all our economic troubles. But the government has been and is now, in the main, composed of Communists, who are now maintaining: Look what Sajudis has done when it has been in charge of the government; its formation needs to be entrusted to the "left." We cannot permit any more of this—the so-called "left" has already shown what it is capable of, and it should no longer be part of the new executive.

[Kuznetsov] There are representatives of different nationalities on the list of candidates for Seimas deputy from the Lithuanian Freedom League. What can you say about your policy with respect to Lithuania's national minorities?

[Terleckas] There has been no change in this policy since the start of the formation of our movement. Speaking back at the First Sajudis Congress in 1988, I said that the revival of the Lithuanian people must not be at the expense of representatives of other nationalities. You rightly observe that both our Seimas candidates and our movement as a whole are multinational, and we have never drawn any boundaries between people on this basis. I personally dislike hearing Russians being called colonialists; this is, after all, insulting. Of course, whoever took part in the genocide of the Lithuanian people cannot possess all civil rights in our republic. But the children and grandchildren of these people may, in our opinion, be full-fledged citizens. May the representatives of all nationalities live in peace and develop their national culture; after all, rights as a whole are not given to the individual by someone or other; he acquires them from birth: the right to life, happiness, and security.

I would like in conclusion to observe that democracy is the power of all citizens of our republic, and they should have the right to replace those who are working inadequately. And they will at the elections, I believe, vote for those who will in deeds, not words, build an independent democratic state.

[Kuznetsov] Thank you for the interview.

#### Community of Lithuania Election Program

93UN0106A Vilnius EKHO LITVY in Russian 2 Oct 92  
p 2

[Interview with Augustinas Lepinis, chairman of the Community of Lithuania, by R. Osherov under the

heading "Political Parties and Social Movements: On the Eve of the Elections": "By Uniting, We Can Resolve Problems Better"]

[Text] The Community of Lithuania (formerly—Community of Eastern Lithuania) is a sociopolitical movement of national minorities that unites citizens of different nationalities. It began to be established about a year ago under the aegis of Sajudis. It was renamed at its second congress on 12 September of this year. What is the movement taking with it into the elections, and what is fundamental in its program? This is what today's interview with Augustinas Lepinis, chairman of the Community, is about.

[Osherov] The organization that you lead did not have political status initially. What determined the decision to take part in the elections?

[Lepinis] Indeed, we are not a political party but a community of national minorities and ethnic groups that live in Lithuania. Our main objective is all-round support of national minorities. Many communities are very small numerically—Latvians, Germans, and others, in contrast, let us say, to Poles or Belarusians, who do not have one national society. Thus, representatives of these national minorities cannot nominate their candidates for election. But now that we have united, our Community gives them this opportunity.

We have not received an official answer yet, but obviously we will take part in the elections, based on the rights of national minority organizations; i.e., with pertinent privileges.

However, we did not establish the Community to take part in the elections, but, by uniting, to better solve the common problems of national and ethnic groups, first and foremost of a cultural-educational nature.

[Osherov] Very likely, the specific nature of your organization is also reflected in your election program? What are the main propositions and objectives that face the Community of Lithuania?

[Lepinis] Our principal aims are: a legal civil state, democratic freedoms, a healthy and free economy, social justice, a clean environment, the development of culture and education, and the preservation of moral values.

This is what defines our program as well. Its main points reveal the content of our aims. With respect to the state political-legal setup we are for the creation of an indivisible democratic Lithuania, democratic acceptance, and the addition and implementation of laws on self-government, citizenship, migration, protection of property, and mass media. We will fight for the adoption of a law on desovietization and for a partial change in the law on elections. In particular, we propose to supplement it with this provision: "A deputy of the Seimas of the Lithuanian Republic who has lost the trust of the parties or the movement that nominated him must surrender his

authority, and an individual elected in a multi-seat oblast must be replaced by the runner-up on the ballot."

We also propose to define more exactly the status and quota of national minorities by applying the law on elections to Lithuanians who have become a national minority in their country in Eastern Lithuania and to Lithuanians abroad.

In forming the administrative-territorial division of the Lithuanian Republic it is necessary to take into account economic, geographic, historic, ethnographic, cultural, and national features.

We think that all citizens of Lithuania are equal, regardless of their origin, nationality, language, religion, place of residence, or opinions. Civic unity and tolerance are necessary to the existence of a Lithuanian state.

If we are talking about an economic program, it perhaps is not different from similar documents: The main thing is to adopt the kinds of laws and measures that would more quickly overcome the economic and administrative crisis. It is necessary to be concerned about the creation of new jobs, the support of children, pensioners, and invalids, health services, science, and the educational system. We are for a reduction in various taxes. A section devoted to culture and education completes the program. We believe that this is an urgent problem. Culture and education begin with the teaching of the younger generation—in kindergarten and school. The future of our country depends on how they grow up. Consequently, principal attention should be given to youth. It is important, while guided by the laws of the republic, to create opportunities for using one's native tongue or studying it. To print publications and translate radio and television programs into the languages of national minorities, in support of their historical memory.

In the sphere of international relations, we are for signing treaties with neighboring and other states on a parity basis, after assessing the fact of the occupation of eastern and western Lithuania in the interwar period. We are proposing to introduce an eased border regime for those living and working in the border zones of different states.

[Osherov] What priority does the Community give to the directions of activity you have enumerated?

[Lepinis] Our ideology is the ideology of unification of the societies of national minorities, so that they feel that they are equal citizens of the Lithuanian Republic. All of this, in my view, stems from the culture of education. But we are not specialists in economics, and we view the resolution of problems from a humanitarian aspect. However, we will nominate people for the Seimas who understand this, and, on the basis of our program, they will promote the adoption of appropriate laws.

[Osherov] I would like to ask what resources and methods are envisioned for putting the objectives declared in the program into effect?

[Lepinis] Our deputies must not retreat from the provisions of the election program, and they will be guided by it when adopting laws. It is necessary to publish the appropriate laws in the sphere of culture and education that will facilitate the realization of our program aims. Their implementation requires resources and, accordingly, it is necessary to resolve economic problems. With an improvement in the economic situation it will be easier to put the programs that we have outlined into practice.

[Osherov] The Community is participating in elections according to single-seat districts and ballots. How and on what principles did the nomination of candidates occur?

[Lepinis] We asked each national society to propose its own candidate. The order of priority of the candidates on the ballot was established at the congress according to a majority vote, and it was confirmed in a conference.

[Osherov] What kinds of societies are members of the Community?

[Lepinis] Ukrainian, the Belarusian society Saint Zita, consisting mainly of Poles, and the Russian Zhivoy Kolos [Natural Spike]—these are the full-fledged members of the Community, and, in the meantime, other societies have sent their representatives. It can be said that the movement is still in its formative stage—we have existed for about a half year, and the structures will still be changed—after all, several years are needed to create a mature organization.

#### Sajudis Chairman Views Upcoming Elections 93UN0105A Vilnius EKHO LITVY in Russian 1 Oct 92 p 2

[Interview with Juozas Tumelis, chairman of the Sajudis Seimas Council, under the heading "Political Parties and Public Movements: On the Threshold of the Elections" conducted by S. Sileikyte; place and date not given: "Right and Duty, Freedom and Responsibility"]

[Text] Sajudis emerged as a social and political mass movement in 1988 and led the struggle for the revival of the Lithuanian independent state.

Today Sajudis is taking part in the Seimas elections in a coalition with the Lithuanian Citizens' Charter, the Union of Political Prisoners of Lithuania, and the Green Party. We discuss the election program with Juozas Tumelis, chairman of the Sajudis Seimas Council.

[Sileikyte] Since the time it emerged Sajudis has trodden a difficult path and has undergone certain changes. Could you describe this in somewhat more detail and also the forces which unite today's Sajudis?

[Tumelis] In 1988 Sajudis was a mass movement uniting all of Lithuania, people with different philosophies and political beliefs, and various social strata. We were confronted with a single goal—the freedom and independence of Lithuania. This strategic goal has now been achieved. Lithuania is a free and independent state. It is now necessary to establish a truly democratic system and a civil society of prosperous and responsible people. And, naturally, a process of differentiation has begun: on philosophical questions and political views; and the problem of representation of different social groups has arisen. This is a normal process, as a result of which old political parties and movements have been revived and new ones have been established. But Lithuania still needs our movement, as before, inasmuch as the other parties are not strong enough to represent the interests of the stratum on which they are based. They will not be in a position to accomplish this task until an economic structure has become permanent in Lithuania.

Sajudis is cooperating with many of them. Frequently our people work actively in other parties or movements simultaneously. In addition, Sajudis has yet to accomplish all its strategic designs. Our main goal now is to change the state system in order that it not have anything in common with the totalitarian Soviet state.

And, further, Sajudis is the principal counterweight to the DPTL [Democratic Labor Party of Lithuania], with all its blood relations and their derivatives. The DPTL has preserved all its former structures, ties, and immense assets. This is an ideological state within a state. I see no great difference between the DPTL and the Communist Party of Lithuania, after all, a change of name does not in itself mean a change in essence.

A process of formalization of the membership has been under way in Sajudis since the spring. We are not forcing it, and for this reason it is hard for me to say as yet how many persons specifically are a part of our movement. The fellow travelers have left or are leaving. But there are many of us.

[Sileikyte] What program precepts is Sajudis taking to the Seimas elections?

[Tumelis] Our program is geared to the next 18 months to two years. We believe that forecasting for a longer period ahead is difficult—everything will depend on what we achieve in the next six months.

So our main goal is to change the old system. There is as yet still too much which connects today's Lithuania with the Lithuanian Soviet Socialist Republic. Many structures have remained the same. We are required to change this. How? Reform of the legal system is needed first and foremost. It should be democratic, flexible, and effective. We are required to seek a situation where it is for each citizen of Lithuania unprofitable to break the law. But the law should not hover over an individual. For this it is essential, first, to adopt as quickly as possible a new constitution of the Republic of Lithuania which regulates and balances not only the power structures of the

highest but also of all other levels. We need to revise all our codes. Crime is on the increase, and the law enforcement system is becoming increasingly ineffective.

A law on de-Sovietization should be enacted as soon as possible also. You will agree that many officials of the older generation (party specialists) do not know how and do not want to work differently. They have become accustomed to the conditions of the command system and know only how to direct and execute. The myth that they are unparalleled specialists has already collapsed like a house of cards. Let them work for several years as ordinary engineers, office workers, and so forth. And no one will bar to them the new way upward, if they are capable of this. But they should be working today.

It is now very important to revive in Lithuania a normal attitude toward labor. We need to ensure that the individual understand that the state will give him nothing for free, it should only create the conditions whereby he can earn money by honest labor for a decent life. The state should display concern for children, old people, and the handicapped.

Economic reform. For us it is very important that Lithuania be a manufacturing, not a mercantile, state. The key role here should be performed by privatization and changes in the financial and tax systems. Privatization is becoming bogged down. Many small businesses of the service sphere are still in the hands of the state. Yet were public catering enterprises, say, privatized, this would stimulate agricultural production. In a word, the normal progress of privatization is a most important component of economic reform. The next such component is the reorientation of the economy as a whole and industry in particular. It is essential to reorient our industry toward minimum raw material and energy.

In agriculture we advocate the return of the land and the free independent proprietor. Of course, the farmers must be provided with equipment and all that they need, and a favorable credit policy should be pursued in respect to them.

Some of our economic problems are imaginary and artificial. There would not be such were it not for the sabotage of the new laws and the arbitrary action of the old nomenklatura leading to an anarchy which is to its advantage.

[Sileikyte] What can you say in connection with your policy concerning Lithuania's national minorities?

[Tumelis] There is no mystery here. Our position has not changed. All citizens of Lithuania have equal rights, regardless of their nationality. I would like to emphasize that Lithuania has old traditions of normal relations with all national minorities and that people of different nationalities have always gotten along peacefully on its soil. These traditions should be preserved and confirmed. We have Russians and Poles and Jews and Ukrainians...

[Sileikyte] Sajudis is heading into the Seimas elections in a coalition with the Lithuanian Citizens' Charter, the Union of Political Prisoners of Lithuania, and the Green Party. Are there fundamental differences in your program precepts?

[Tumelis] We formed a coalition for the reason that our main fundamental program precepts coincide. So there is no appreciable difference among us. It is simply that we are leaving to these social and political organizations particular spheres of activity, those which they emphasize in their programs. The environment and agriculture to the Green Party, for example. The Lithuanian Citizens' Charter emphasizes in its program the building of a state based on the rule of law. When, incidentally, I spoke about the replacement of the entire former state structure, I meant that all this should be accomplished on a legal basis. Members of the Union of Political Prisoners have accumulated great experience of struggle against the Soviet system and its structures. We must utilize this experience in our work. We all have one goal—a free, independent, economically stable, democratic Lithuanian state. And one slogan—right and duty, freedom and responsibility. We must be guided by this in all that we do.

[Sileikyte] Thank you for the interview.

#### Lithuania Submits Economic Plans to IMF 93UN00794 Riga THE BALTIC OBSERVER in English 2-8 Oct 92 p 6

[Report by Peter Morris: "Lithuania Nears Agreement with IMF"]

[Text] Acceptance of Lithuania's policies by the IMF will bring support for economic restructuring and the introduction of a new national currency, the litas.

The approval of the IMF is also required before Lithuania can receive loans from the World Bank and the European Bank for Reconstruction and Development.

Michel Camdessus, the director of the Fund, has already announced that he is satisfied with the progress Lithuania has made. He hopes to clear the way for the IMF to back the litas as soon as possible.

What follows is a synopsis of the memorandum submitted to the IMF. The Fund's board members will meet in mid-October to discuss the plan and possible loans to Lithuania.

#### Lithuania's Economic Outlook

The disruption in trade within the former Soviet Union, brought on by the continued political disintegration of that body, has resulted in a large decline in output during recent years.

This decline has been compounded by the rise in the price of oil and other imports to world market prices. Oil

imports during the first half of 1992 were about 2.5 million tons, compared with 6 million tons during the same period of 1991.

The increase in the price of imports, without a similar rise in the value of exports, has severely hurt Lithuania's balance of trade.

It is estimated that real GDP has fallen more than 30 per cent from the beginning of 1990 through mid-1992. Unemployment has reached more than 1 per cent of the labour force as of August 1, 1992.

#### Objectives

The main objectives of Lithuania's economic programme for July 1992 through June 1993 are to adjust quickly to the sharp deterioration in the balance of trade, continue to encourage an effective private market, reduce inflation, and successfully introduce a convertible national currency, the litas.

#### Privatisation Policy

The fifty years of occupation by the Soviets and imposition of a centrally planned command economy with emphasis on highly specialised industries has created severe difficulties for the privatisation procedures.

The privatisation process began in September 1991, and incorporates a voucher system with the aim of providing property to the citizens of Lithuania.

Small enterprises are sold at auction. Most eligible housing and small enterprises have already been sold. To encourage the sale of those enterprises not yet purchased, previous restrictions have been lifted on the amount of vouchers and cash that citizens may use as means of payment.

Large enterprises are now being privatised through a share subscription scheme. By mid-1992, about 600 large enterprises had been converted into companies owned primarily by private shareholders. This total should reach 3,500 by the end of 1993.

In order to develop stronger competition within the economy, actions will be taken to split up large enterprises, especially multi-plant enterprises. These measures will be taken to prevent monopolisation of an industry, and will be carried out by the relevant branch ministry, not the central privatisation body.

In agriculture, it is expected that 50 per cent of all usable land and 80 per cent of all agricultural assets from state and collective farms will become private property by the end of 1992.

#### Prices and Wages

Since most of the higher costs of imported energy products have been passed on to enterprises, local governments have been encouraged to raise rents and domestic heating costs. Owing to the pervasive shortages created

by the Soviet system, the general level of such costs has been rising rapidly since early 1991.

From January 1991 through June 1992 the consumer price index rose 1,700 per cent. Consumer price inflation reached a monthly rate of 50 per cent in January and February 1992, slowed to 10 per cent in June, and has since increased again. Due to the increase in fuel prices it is expected that the overall consumer price index will rise 75 per cent in August and September.

To combat this spiraling inflation, it is necessary to scale down the increases in the money supply. Further steps to reduce subsidies will be taken. The early elimination of subsidies is important for reducing strains on the budget and for incurring associated price rises in advance of the introduction of the litas, to ensure the best chance of price stability thereafter.

A temporary incomes policy consistent with adjusting real incomes to the deterioration in the trade balance will be established. The incomes policy will apply to all enterprises in which the state continues to maintain a majority ownership position. Wages of workers in budgetary institutions have been frozen since September 1, 1992.

By January 1, 1993 the government will review its civil service staff to develop a timetable for eliminating jobs that are no longer necessary in institutions financed by the general government budget.

#### Fiscal Policy

For the first half of 1992, the sum of all governmental spending has balanced income, reflecting a reduction in subsidies and an increase in taxes. However, the decline in output and the deterioration of Lithuania's trade balance have put this equilibrium in jeopardy.

The government is conscious of the need to limit external borrowing to a level which can be supported by the economy. External borrowing, excluding proceeds from the IMF, will be held below US\$150 million through December 31, 1992, and below US\$300 million through March 31, 1993.

Contracts will not be made for debts with maturities of less than one year, excepting normal import-related credits. Debts with maturities under five years will be limited to US\$50 million through December 31, 1992, and to US\$100 million through March 31, 1993.

Regarding the debt of the former Soviet Union, Lithuania has agreed in principle to accept responsibility for the debts associated with enterprises within its territory. Accordingly, it has been servicing US\$35.7 million worth of debts incurred through Vneshekonombank (the Foreign Trade Bank of the former Soviet Union).

#### Taxes

By January 1, 1993, a new system of collecting the 18 per cent Value Added Tax will be instituted to make it a true VAT, not a general excise tax.

Additionally, the enterprise profit tax will become more uniform throughout industry, and the rate of deductions for depreciation will be clarified.

The 5-per cent tax rate applied to foreign exchange transactions will be abolished, and until the litas becomes the sole currency in Lithuania taxes will not discriminate between domestic and foreign capital.

#### Monetary Policy

Until the introduction of the litas, it will remain impossible to conduct an independent monetary policy.

Eventually, however, interest rates will become the main instrument for the allocation of financial reserves in the economy.

#### The Litas

The transition to a national currency has been delayed pending the formulation of a macroeconomic stabilisation programme, agreement on procedures to settle trade and payments with countries in the rouble zone, and the accumulation of sufficient foreign currency reserves.

The goal is to introduce the litas as a fully convertible currency utilisable in all international transactions. The value of the litas will be set by a floating exchange rate regime.

Towards this goal, monetary reform has progressed steadily. On May 1, the Bank of Lithuania, in conjunction with the government, began issuing talonas to ease the currency shortage. Talonas represent legal tender equivalent in value to the Russian rouble, and have circulated alongside that currency.

Beginning October 1, the talonas will be the only legal tender in Lithuania, although private citizens and enterprises will be allowed to continue to hold their savings in foreign currency deposits with the domestic banking system, even after the introduction of the litas.

Foreign exchange reserves amounted to US\$145 million at the end of June, 1992. It is expected that with help from the International Monetary Fund these reserves can top US\$200 million by the end of June 1993.

Rouble notes withdrawn from circulation are being held in the Bank of Lithuania pending negotiations with Russia. Rouble notes obtained by Lithuania since the announcement of independence, in March 1990, are considered "purchased" through debits to Lithuania's correspondent accounts in Moscow.

**Banking Reform**

The government recognises that some of the banking system's outstanding loans to state enterprises will have to be written off.

A two-tier banking system is essential for effective monetary policy. As such, the commercial banking operations of the Bank of Lithuania are now being converted into separate legal entities.

Bank reserve requirements will continue to be imposed by the Central Bank. Currently the minimum reserve ratio stands at 10 per cent. The Bank of Lithuania does not pay interest on reserve holdings.

By early 1993, accounting, auditing, and payment regulations will conform to international standards. By March 1, 1993, banking laws should empower the Central Bank to establish an interest rate policy for all banks.

Under the new banking laws, the Central Bank will remain the government's primary depository, will manage Lithuania's official currency reserves and will be responsible for distributing and managing government securities.

**Trade Policy**

Lithuania recognises that the former Soviet states remain its major trading partners. As such the three Baltic States have agreed to form a Baltic Customs Union, and have proposed a free trade agreement with the Commonwealth of Independent States.

Except for purposes of national security or health, there are no quantitative restrictions or licensing requirements on imports. No plans exist for imposing quotas or licensing requirements for imports.

All quotas and licensing requirements for exports are planned to be removed by November 1, 1992, with the exception of those applying to certain energy products and timber of local origin.

To encourage world trade, Lithuania intends to develop a rational tariff structure with low and relatively uniform tariff rates in accordance with internationally accepted principles.

Because of the collapse of centralised trade, Lithuania has sought bilateral agreements with the former Soviet states. For 1992, trade agreements have been signed with all the former republics.

**IMF Review**

IMF officials will review Lithuania's progress twice in early 1993. The reviews will assess quantitative performance of the economy, and will focus on the implementation of programme measures.

The first review will examine progress in the tax administration, budgetary planning, monetary controls, the overhaul of the banking system, and the collection of statistics.

The second review will assess the development of the foreign exchange market, specifically Lithuania's experience with a floating rate system. It will also look at the efforts to simplify the tax structure, the market for government securities, and the progress made in privatising industry.

**Conclusions**

By the time the litas is introduced, energy prices should reach world market levels and the rate of inflation should decline rapidly thereafter. It is hoped inflation will average 10 per cent a month in the fourth quarter of 1992, and less than 3 per cent a month in the first quarter of 1993.

As prices stabilise, it is hoped that over the medium term exports will strengthen substantially. In the short run, however, it is expected that the balance of payments will deteriorate.

The current account deficit is targeted at US\$500 million for the year June 1992-June 1993. Part of this deficit will be offset by private capital flows (mainly through direct investment). The remaining gap must be financed by official balance of payment support from the IMF, the World Bank, the EBRD and bilateral creditors.

**Lithuanian Press Laws Reviewed**

*93UN0086A Riga THE BALTIC OBSERVER  
in English 3-9 Sep 92 p 2*

[Article by Astra Skrivere: "Soviet-Era Law Provides Press Protection"]

[Text] Since the Lithuanian Supreme Council (SC-parliament) is in recess until 10 September, THE BALTIC OBSERVER will survey press laws in Lithuania.

Although the Lithuanian press began to operate in the eighteenth century, freedom of speech was realized only two years ago with the adoption of the *Law of the Lithuanian SSR on the Press and Other Means of Mass Information*. Passed by the Lithuanian Supreme Soviet on February 9, 1990, the law strives to ensure free expression—a right suppressed under tsars and Soviet power. It also defines the rights and responsibilities of mass media professionals.

The formulation of the mass media law began in October 1989, when the Union of Journalists and members of the Presidium of the Supreme Soviet joined forces to create a commission to draft the law. Lawyers, journalists, and other interested parties studied press laws from the West to serve as the basis for the law's conception, and by December 28, 1989, it was published and debated. A few

months later, the law was put into force by a resolution from the Council of Ministers.

Article 1 states that "citizens of the Republic of Lithuania shall enjoy the right to freely and without hindrance express their views and opinions, to disseminate news in the press and through other mass media, and to acquire from them objective information on every issue of state and public life. Mass media is free and uncensored. Interference with the preparation or dissemination of information is forbidden."

Information is to be presented according to "humanitarian principles." Media organizations have the right to get information from governmental, political and social organizations, but there are some restrictions.

For example, the media cannot disseminate state secrets, war propaganda or pornography. Information about individuals cannot be published without their consent, although an exception is made for information established by a court. Information cannot be published which violates the presumption of innocence or may influence a court decision.

The law on media emphasizes that "the means of mass information are obligated to observe legal acts regulating the use of the state language of the Lithuanian SSR, and to show concern for the [Lithuanian] culture." National minorities are guaranteed the right to prepare and distribute information in their native languages. Of interest is the fact that the editor must be a Lithuanian citizen.

As if the case throughout most of the world, it is necessary for a media organization to register with the state. The *Law of the Lithuanian SSR on the Press and Other Means of Mass Information* stipulates on what grounds registration may be revoked and for what reasons publication or broadcasting may be terminated. The law also states how a media organization may appeal such a decision and how its registration may be renewed.

The rights and obligations of editors and correspondents are outlined, and the law protects those who are the subject of media reports. The law states that retractions must be issued for false information which is damaging to a person or an organization's reputation or honor. Media organizations which are held responsible for "moral injury" cannot be fined more than 30,000 rubles.

Members of the media have the right not to reveal their sources, and they cannot name their sources without permission. This information can be demanded, however, by investigators or the courts.

Lastly, international co-operation agreements, take precedence over the provisions of this law.

The full text of the *Law of the Lithuanian SSR on the Press and Other Means of Mass Information* may be found in the February 18, 1990 issue of SOVIETSKAYA LITVA, now EKHO LITVA.

#### Foreign Investment Conditions in Lithuania

93UN0086B Riga THE BALTIC OBSERVER  
in English 3-9 Sep 92 p 6

[Unattributed report: "Investment Conditions in Lithuania"]

[Text] The Lithuanian Ministry of Foreign Economic Relations asserts that Lithuania provides a more favorable business climate than Estonia or Latvia, although officials admitted in an interview for GIMTASIS KRASTAS that foreign investors are occasionally discouraged by the presence of ex-Soviet troops and the unclear situation in the Lithuanian government.

The president of Lithuanian Association of Industrialists, Algimantas Matulevicius, would disagree that the conditions in his country favor foreign investment. He believes that the three-year tax holiday for companies with foreign capital is too short, business information is difficult to find, and that there is simply too much red tape.

Perhaps the truth of the matter can be gleaned from the bare statistics. As of 15 July, 250 foreign-owned enterprises were registered in Lithuania, with stock valued at 90,391,700 rubles, 85 are Russian-owned, 43-Polish, 28-German and 21-American.

According to BNS, there are 1,087 joint ventures which have stock worth 791,016,800 rubles (48 percent of which is from foreign investment). Most joint ventures are with Russian partners—365 joint-ventures, in which Russians own 39.4 percent of the stock. Poles, Germans, Spaniards, Latvians and Swiss are also active in Lithuania.

So far, few big Western companies have invested in Lithuania—Minolta (Japan), Coca Cola (U.S.) and Computerland (U.S.).

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